FACTS AND FALLACIES

ABOUT THE

BOMBAY LAND REVENUE SYSTEM

CRITICALLY EXPOUNDED BY

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FOREWORD.

This essay had its origin in the study of the case for Tenancy Legislation, a subject at almost every point bound up with the theory of rent, and with the public right to share that value. The very mention of such legislation conjures up in many minds only the idea that rents will be restricted and fixed with 'moderation,' and removed from the sphere of competition. It became therefore necessary to examine and state carefully the eternal justice of the obligation that lies upon every user of land to pay rent or revenue, an obligation of which he cannot be relieved without destroying the foundations of society and civilisation.

At the same time I found these fundamentals very seriously disregarded or unrecognised in other quarters. We were surrounded with a cloud of loose thinking and looser talking against that structure which has so well stood the tests of over a century and given such splendid results, the Bombay land revenue system. The fallacious criticisms gaining currency in the Press seemed to demand a similar effort at restatement of the facts. The subject is not difficult but it is made difficult for many by the vast personal and sectional interests involved; there are very few men who can be trusted to speak impartially or who can trust themselves to think impartially about the income from land, which almost every Indian shares. Perhaps the fact that I neither own land nor pay or receive rent from land in either hemisphere at least acquits me of that temptation: and the further fact that I have now ceased to serve the Government should acquit me of any suspicion of speaking to order, or otherwise than from sincere conviction. If I did not believe what I write, I need not have written it.

I plead for a rigorous examination of what lies at the bottom of this controversy about the Land. Is it not strange that while in England the taxation upon the land is far heavier than in any part of Bombay, yet there the popular party, the Labour Party, has for a chief feature in its programme the increase of

those burdens; while in India every 'popular' politician is strenuously fighting for their reduction? I have made the reason plain enough in the pages which follow. If my readers wish to get to the truth, they must be prepared to grapple with the difficulties.

"Loose thinking will inexorably corrupt the most ingenious mind. It is infinitely harder to be honest with ourselves than with our fellows. He who is guilty of loose thinking and an indolent acceptance of the pleasant in place of the true, is arraigned before no tribunal, is punishable by no court of law. Nevertheless retribution pursues and will always overtake him. Because he is too indifferent to face the logical conclusion of the facts which life presents to him, preferring rather to interpret these facts in the light of theories agreeable to his inclination, the loose thinker is condemned to failure in all great enterprise. Intellectual disingenuousness is the fundamental error in unsound social conceptions". So Lord Birkenhead on November 16th 1928.

Then last month the "Times of India" in a leader:—"In dealing with the Land Revenue system of Bombay it is essential, before changes are made, that they should be based upon adequate enquiry and due recognition of the whole facts: and it has been urged that these facts are not at present available." The point urged, that the whole facts are not available, is of course not true. All the relevant facts are fully available for those who will trouble to study them. But there are a great many futile and irrelevant enquiries which have never been made and ought not to be made. The salient feature of this Presidency is that there are far too many people on the land (not working on it, but idling) and far too few in industries. Every step taken to reduce further the burden of the land tax must make conditions worse and worse, till a fearful disaster ensues. It is rent and land revenue alone that can save; Agricultural Commissions can do nothing unless the economic incentives that compel the rayat and the tenant to work as honestly as those employed in other industries are preserved in wholesome and safe operation.

In this effort to state the facts and the theory of their true interpretation and to refute unsound criticisms, I have not even spared the Government I have served when I feel they have been guilty of unsound thinking. But faithful are the wounds of a friend: and I desire nothing worse than to save them from repeating their own mistakes. I may fail to carry conviction: I know I shall give provocation to many. But if I fail, still I remain serene in the consciousness that I have striven to promote the boundaries of truth and enlarge the reign of justice.

F. G. H. ANDERSON.

Poona, 21-12-28.

CHAPTER I.

Foundations.

Though truth in closest words may fail
Yet truth embodied in a tale
May enter in at lowly doors.

In Parables.

Let me observe at the outset that none of the tales with which I have sought to brighten and clarify this essay in the 'dismal science' pretend to historical truth: they seek to convey philosophical truth only. The abstract terms of economics have been so battered and confused in meaning by long use, by journalists and others from whom their true meaning is often hidden, that it is often only by means of a tale that the true argument can be brought clearly out.

2. Definitions.

Rent has been defined in as many ways perhaps as there are men who have written about it. Many of these definitions start by terming it a price paid for the hire of land or something equivalent. Our first task is to get that idea out of the definition and to show that it has no right to any place therein.

It is the more difficult to divest our minds of this misconception because it has got into the very name itself—"Rent" (Lat. Reddendum; Fr. Rendre), which was not used till land was actually held on a tenure requiring something to be rendered up or paid to the public (as military service through a feudal lord); in earlier times when rent was latent and hardly diagnosed it naturally had no name.

"Thus rent, or land value, *does not arise from the productiveness or utility of land.* No matter what are its capabilities, land can yield no rent and have no value unless some

one is willing to give labour or the results of labour for the privilege of using it; and what everyone will thus give depends not upon the (absolute) capacity of the land but *upon its (relative) capacity as compared with that of land that can be had for nothing.* I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without cost. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation, or other quality, my land will begin to have value and yield rent ....Fortunately as to the law of rent, there is no necessity* for discussion..................The rent of land is determined by the excess of its produce over that which the same application (of labour etc.) can secure from the least productive land in use." ("Henry George." *Progress and Poverty* 1879).

[And this is exactly as true of sites and shops, factories and villas as of corn-fields.]

3. Cain and Abel; unequal returns.

Perhaps Adam, or whoever else was the first man, was also the first agriculturist but of his interesting experiences we have no record. It was not till his sons Cain and Abel grew up that trouble arose. It arose in this way. Even an expert after thousands of years can to-day hardly tell us without measurement, i.e., until after it has been cultivated several years, what *will* be the yield of a particular field if a fixed amount of labour, manure, seed and water be applied to it. Cain and Abel wanted corn as well as meat and each chose a field; and on Adam's advice each put into it the same seed manure and labor; and the heavens supplied equal water to each field. When harvest came, Abel found to his disgust that Cain had got more corn than he. It was debated and Adam said he could not explain it: he had no experience throwing light. It seemed to be fate; or perhaps Abel had not really put the right amount of toil and skill into the job. Better try again next year.

(*Because Ricardo has proved it to the hilt.)

4. Injustice and bad blood.

They tried; and again the result was more or less the same. Abel grew bitterly jealous of Cain and Cain so resented it that the bitter seed bore tragic fruit (outside the scope of our present enquiry). But to cut the story short Adam and his sons soon found what had not been before suspected that there was in the very soil—in its quality position or what not—everywhere a difference so that it was almost impossible to select two or more fields of equal extent such that if the same quantity of work, seed, water and every other controllable factor were applied, yet the crop would not be unequal. In this land differs as an instrument of production from nearly everything else. If you work at a loom, the product is exactly the same if the labour is the same.

5. The justice of equal work.

The injustice was intolerable. Abel demanded that he must be found a field as good as Cain's; but without many years of test, how could that be done? and even then it could never be certain it would be permanently equal. So a grand council was held and all the wisdom of the age concentrated on finding a solution. Cain proposed he should make things equal by putting in less work and less seed or by tilling a less area. Abel scorned the notion: "What? you propose to laze and spend less and yet grow richer and feed a larger family than I can?" Then Adam said: "let me speak for the rest of mankind: Eve and I are getting old and find work very trying. If one of you lads by doing no more work than the other still can get more return, then it would be rather a wicked waste—a waste your mother could not approve— if deliberately you slack off and refuse to do a fair day's work."

6. The 'fair day's work' gives birth to Rent.

"Well", said Cain, "what is a fair day's work? Is it not fair for me to do no more than I need?"

Not at all, said Adam. A fair day's work for a man is so much work as on the average all the others have to do to keep themselves and their families supplied with what they want

If by distributing an equal day's work to all some get a return greater than others, as has been happening to Cain, then that surplus is not rightfully theirs but should be evenly distributed to all others and so we shall get to the golden rule of equal work and equal reward for all and nothing to prevent harder or more skilful work getting even greater reward.

7. The rights of the whole community.

All the Council at once shouted their approval of this marvellous wisdom. Every one was to enjoy of his own produce a fixed amount enough to repay him for working steadily according to his abilities and opportunities. For more work, more return: for less, less. After setting aside that return, the surplus, "the unearned income", was to be the property and emolument of the whole community and is to be called the "true rent". For all work this was to be the golden law: but let us keep our *minds on agriculture. It soon became clear that there were two* serious matters left unsettled; first, what was to be the standard day's work? since by that measure all surplus was to be determined; and, secondly, to whom was surplus to be paid for general distribution?

8. Abel's theorem.

The first is the really difficult matter and much discussion seemed likely to lead to no conclusion till Abel hit upon the true key. "The whole trouble" said he "arose because I worked on my land hard enough to get out of it just enough for me to live upon. If I could not have got that then I would have done no agriculture at all. But Cain was told to do the same work and (since it is not fair he should do less) he obeyed; and then this surplus turned up. I by working as hard as was reasonable got 40 bags of corn and that was just about enough for me for the year. But Cain for the same work got 50, which was too much. The key you seek is in this. The standard work is that which is necessary to get a living off the poorest land actually in use. No one can possibly till poorer land; he must choose some other job. But the labour and other outlay needed to get that living will, if applied to better land, result in a surplus not earned or deserved. That is the measure of the standard work."

9. Fair distribution of population.

This was voted the best solution and it was also pointed out that when population was thin and only very good land was used the standard would be easy; and as the number of people increased and more food was essential, then rather poorer land would have to be used and so by Abel's measure the time rent would rise. Rent rises because of the increasing difference in the productiveness of the land in use as more and more both better and worse is used. Thus it is the growth of the community *alone* which creates land value. Also this rise in rent would make life a little harder for all—as indeed it would necessarily be—but since people could move from one valley or even from one continent to another the rent would also cause people to move from the more crowded lands to the less crowded and so be for the benefit of the whole race. At that stage in history it was not possible to see the alleviation discussed in para 19 below.

10. Other trades.

Some doubt was caused at one time in the discussion by an objection that there were many other trades besides agriculture and that the weaver and coppersmith and potter would be under *no obligation to work as hard as corngrowers work, and so the* men on the land would leave it for the easier trades. But Adam pointed out that, if they did, then in those trades the amount of work each man had to do would soon rise as their products became more abundant and so the scales would balance and if other trades saw that work on the land was easier they would all crowd on to the land and by compelling themselves to seek out poorer land would soon make land-work equal in hardness to other industry. Free land open to all who want to work on it is thus the balancing reservoir which preserves justice in wages.

Thus we see that in a country where agriculture is the occupation of the largest number of people the effort and expenditure of capital (which includes seed, manure and implements) *required to get a living off the poorest land in actual use* would fix the standard of work for all classes and all trades however far removed from agriculture and would also fix the rental value of all the better land.

11. Rent unconnected with landlords; it is that which the worker does not earn.

Have we got some paradoxical results? you were brought up to believe that without some landlord hiring his land to some landless man there could be no rent and that the rent was what the tenant was forced by a rather oppressive landlord to pay.; yet (as we have stated the matter) no idea of 'landlord' enters into rent and it is not the tenanted land only which produces rent; and it is simply the pressure of population and the need of food felt by other people and other trades that fixes the level of rent and not the richness of the land or the capacity of a landlord. Rent is that part of the yield or 'income' from land which is not earned; NOT EARNED either by the cultivator or the landowner, if there be one—Therefore it is rightly termed the 'unearned increment' (I prefer 'unearned income'); in other words, it is picked up like treasure trove; and every argument that starts with the idea that the rayat *earns* his land revenue, and then has to hand it over to Government or a landlord starts falsely and ends worse.

12. A catechism of paradoxes.

Let us have a little catechism.

Q. What happens to rent when there is no landlord or land tax?

A. It is harvested and enjoyed by the man who cultivates.

Q. Is that just and right?

A. Certainly not; the rental being *unearned* surplus should be shared with all his fellow men.

Q. Can a landlord or a Government exact a rent which leaves the tenant cultivator less for his living than the standard of the times?

A. No; by miscalculation or vagaries of season such a thing may happen once or twice; but as soon as discovered it must be set right, or the cultivator will either starve to death or abandon the land.

Q. But suppose so many poor cultivators that there were no other jobs for them and all other trades were worse paid than agriculture then would they have to submit to the state or landlord's exaction and be content to starve?

A. Not even so. But they would have to raise the standard of hard work and not only in agriculture but in all other trades also.

Q. But if other trades are full or have not been developed and there is no more land?

A. Then they must emigrate.

Q. And if that escape is closed?

A. Then they must starve. It is the last remedy of Nature for over-population.

Q. But could not machines and all sorts of agricultural improvements save them?

A. Yes. But we must postpone that discussion till we have better understood rent.

Q. Then the richest most fertile land has the biggest rent?

A. Not by any means. Sometimes it has no rent or a higher rent than the poorer land.

Q. That is strange: what do you mean?

A. Suppose a great city in a vast plain all of exactly equal land in respect of fertility. Yet the workers all live in the city; they cannot cultivate land more than say 7 miles from its walls. Land 10 miles off is as rich as that close to the walls, yet it has no rent.

Q. You mean because the labour of going and coming and bringing in the produce will 'eat up' the rent?

A. Just so. Rent does not depend solely on 'fertility' but on position and a hundred factors. But all are covered by the law we have framed.

Q. Then it would seem that the owners of the 'rich' land are not all-powerful in fixing their own rent?

A. Almost powerless: it is fixed for them by the cultivators (not tenants but owner-cultivators) of the poorest soil in use: And of course "poorest" is not merely determined by fertility: It means yielding no surplus over the bare living: it may be many miles distant from the village where the rich land lies.

Q. Have you any name for that 'poorest soil in actual use' to which you refer so often?

A. Yes: it is the 'margin of cultivation' Not the topographical margin but the qualitative margin. Only in the case of our city just discussed where all land is equal in all things but distance, there the 'margin' would be the literal margin: and the 'poorest' soil is not one bit less fertile than the highest rented. But marginal land yields no rent.

13. Rent must go to the trustees of the people.

But we left Adam and his Grand Council with the second problem unsolved. To whom shall the rent be paid?' It is due to the whole community because its distribution to the others is the only means of restoring justice upon earth as between worker and worker, and because it is the community alone which causes and creates rent. In those simple days the problem was soon settled; Adam said he would take it and use it for the good of all. That was easily carried and it was long before another great debate had to be held.

14. Competitive determination of rent.

The next time the problem was how should rents be fixed, for Adam to collect, when the land was new and there were no certain measures of the labour and outlay which it needed or of what its yield ought to be. 'Methuselah (then quite a young fellow) was suspected of 'skrimshanking' and making out that

he was working hard when really he slipped off whenever unobserved to go fishing with a float and worm in a placid pool; and it was suspected that he slept over that job too. He put in some neat accounts but neither Cain nor Abel quite believed them; and a Grand Council was called to decide the best way of finding out the proper rent. Many plans for reckoning up the cost—the number of days or even hours worked and all that—were put in. But Adam said he had now learnt enough of human nature to mistrust it. He preferred another plan: there were by that time quite a few fairly experienced cultivators and they knew what they could make out of any given field. He would prefer to find out what these other fellows would offer for it. This proposal greatly annoyed Methuselah and also it was noticed to upset Cain very much. Cain had always been suspected by his neighbours of not being quite straight over his rent but his nasty temper prevented them from pressing the matter. But here was a new idea: "Yes! let us all bid for the land and then you will really know what it is worth."

The proposal was of course carried; but Cain never became reconciled to it (here please see para 79).

15. He who pays not rent robs his fellow men.

Cain was the father of all agriculturists who try to conceal the rental value of their land; who try to eat in idleness and slipshod work the surplus they should be paying to the community, to the world at large. But in those early spacious days when all things were seen so clearly because they were so simple his protests did not avail and indeed the new method led to the enhancement of his own rent (which first we saw fixed at 10 bags of corn) to 12; and even then it was a lenient rent.

16. The wages of skill.

It may be argued that the skill of one cultivator brings in a larger yield than the unskill of another. But this is not the difference we mean. In fixing the capacity of any field we must consider not what a specially skillful man can get out of it but an ordinary man, with the average skill and knowledge of his

age and community. Any yield that special skill can get is always untaxed and left to the skilled worker until that degree of skill becomes the common property of mankind. Shallow attempts are sometimes made to confound rent of land with 'rent of ability' as they falsely term the very high wages earned (or at any rate received) by famous singers, lawyers, painters, and the like. But those earnings, extravagant and in a sense unearned, also are the reward of skill and are not included in rent, even if we could apply the conception of rent to anything else but land. Moreover Caruso could not hire his voice out to someone else to sing with.

17. The just solution,

We have now seen how and why rent arises and who is the just owner of the rental surplus. Let us try and apply the lessons to our own times and this great country of India—or at least that province we are concerned with.

When the children of Adam had multiplied to millions, the law of rent did not alter but other conditions did. The resulting changes depend chiefly on what spirit animates the millions. We saw that when Cain suggested he should equalise matters by slacking off his work, Adam rejected it as a treachery to the race. 'No' said he, 'Every man owes it to the rest that he should work to the best of his ability : so can mankind prosper and multiply without sinking into material misery.'

18. The alternative of parasitism.

But there is unfortunately an alternative. He might have assented and set up the opposite principle that no man should work one bit more than he must and if he can live by the labour, of another then so much more clever is he! That road leads early to misery even when the population does not vastly multiply. We may style the two theories the "maximum product shared co-operatively upon a just distribution of equal labor"; and the other the "minimum toil with no regard to the rights of others." The maximum product spirit leads to material prosperity for all, steady expansion and social cohesion : the minimum toil spirit leads to poverty disunion and a sort of universal

parasitism. Mankind have been torn between these two theories and still are; rarely have we the chance of seeing how they would work out in a pure and extreme application. But if we seek where has the *maximum* product theory predominated we must say West Europe and America: and the minimum toil theory holds its sway in Asia; perhaps more than any where, in India.

19. Division of labour: self-sufficiency the enemy of civilisation.

Adam and his offspring were humanists and decided to work together. After solving the rent problem they had next to deal with division of labor. It was found that if Cain and Abel tried to produce all they each wanted (say all the corn and all the woollen cloth) then the two tasks badly interfered with one another. At the seasons there was most to be done in the corn-field, they had to be away at the lambing and the shearing, and the result was that each was inefficient, both as farmer and shepherd. Cain suggested that as Abel was not very good at corngrowing he should put his back into the sheep and wool; and then perhaps some of that discontent over the rent might be forgotten and Abel might pay rent on the wool! But Abel pointed out the snag in the idea. "I will specialise on wool but I can't eat it; and what if Cain says he does not want my wool and will not give me any of his corn in exchange?" It was then seen that *free exchange* must be the foundation of division of labour. With freedom of exchange and co-operation of work vast increases were possible in the gross output; but if men would quarrel and put obstacles and barriers against trade, it was too dangerous. So long as the idea of self sufficiency persisted, the idea that all men are by nature enemies, then poverty and that ideal of the simple savage who supplies all his (very) simple needs in his own village and lives free and unfettered by the prisonwalls of convention and civilisation will be blazoned in gay colors. But is it freedom? What is he "free" to do except to remain in want, to go without? Need we pursue this line any further to see that it leads back to the primaeval conflict between 'getting' and 'going without'? If we repudiate the going-without, then we must adopt divisions of labour; and now

we have a class of men; not engaged in agriculture, who will revert to it if their earnings in their own trade are not good enough, and who will attract from agriculture new competitors if their earnings are too good. Thus we see that as soon as wholesome division of labour has become the social rule it is the earnings of agriculturists (the most numerous workers) which set the standard, the level for the fair day's work for the whole community: and when ever it happens that all the land is appropriated so that the escape from industry into agriculture *is closed,* then we shall begin to see the industrial worker obliged to toil longer and harder for the same wage. The secure possession of agricultural land without taxation on the rent becomes a license to work less than any other class of worker, (Here too see para 28).

20. The island of Rama and Hari.

Let us be thoroughly clear about this: we are often confused by thinking there is plenty of land and if any one has not enough all he need do is to take more. This is no longer true in Bombay; there are very few parts of India where it is even partially true. To tell the cultivator who has no land that there is plenty in Brazil is even less helpful than to tell him there will be plenty in his next world. He will get to the next world more easily than to Brazil. Therefore to make the practical position clear let us suppose an island with only two cultivable fields, allotted to Rama and Hari. The rest of the population lives by fishing and other trades not involving the use of agricultural land. Rama's field is the better; he gets 56 bags of corn for the same work as Hari who only gets 40. Therefore Rama's rent has been fixed at 16 bags, Hari pays none but gets his share (say 2 bags) out of Rama's rent, through the governors of this Island.

21. The sons of Rama claim to be parasites.

Then Rama dies and his two sons now grown up cannot get another inch of land so each tills half Rama's field but when harvest comes each says he cannot live on 28 bags still less on the 20 left after paying each 8 bags as l. r. Each demands that (since

it had been proved in Rama's days that 40 bags were needed for the living of one man and family and conceded to Hari) the whole produce (56 bags) must be divided among the two sons 28 to each; so that even if there be not really enough at least they shall have "all their own produce"; all shall fare alike and supplement their income either by going hungry and half starved or by doing just a little work now and then to earn a little more.

22. Recent fallacies.

That was the demand of Rama's sons. And *in fact* it is the demand of the cultivators and pseudo-economists who to-day are making so much outcry against the Bombay Land Revenue System (See recent letters in the Times of India by Mr. P. J. Taleyarkhan of Surat and other efforts). Surely not quite so crude? Why, a beginner can see the huge fallacy. Yet you will find this claim lurking in many a Legislative Council speech, many an article and oration. If you consider the minimum toil theory it is quite consistent therewith: why work if you can squeeze a starvation living out of others? Why not make Hari who works full time, pay a rent of 8 bags and let all three families have 32 bags apiece? What Rama's sons were concealing was the elementary fact that they were each doing only half the work Rama did, yet were each claiming a *full living for half-time work.*

And what shall be the view of the Governors of that island? Formerly all the land fit for food growing was economically worked by two families of Rama and Hari. What they did not eat was available for the rest of the population. But if five or six families settle on the same area they will not only want all the produce, leaving none for sale, but the island will be wastefully employing and overpaying six families to do the work of two. Can that be done without plunging the island deeper into material poverty?

23. An example.

Let me quote as a fair sample of the argument, Mr. Taleyarkhan, (Times of India 28th August 1928):—

No cultivator should be 'taxed' (i.e. pay any rent to a landlord or assessment to Government, as is explained in the rest

of the document) whose income from land is insufficient to recompense him fairly for the labour and capital he bestows on its cultivation. Excellent so far: we all agree; and moreover it may be said that since there is no assessment, or almost none, on 'marginal' land, the condition has from the beginning been satisfied by the Bombay L. R. system. But what the writer really means has not yet quite emerged. He goes on:—

"There are innumerable uneconomic holdings all over the Bombay Presidency......It follows that......no such holding ought to be assessed and many others which are on the verge of being uneconomic should be assessed more lightly......"

24. Its sophistry.

This monstrously wicked claim of idle land-holders is now sufficiently emerging for us to deal it a sound smash on the head. Can you see it? The writer does not define uneconomic—a suitable atmosphere of gloom and mystery is essential to charlatans—but the meaning is 'a holding which does not afford to its holder enough work in the year to justify his dreaming of living on it.' Very good; keeping that meaning well behind his back, the writer has palmed off on his readers the following sophistry. Rama's sons are entitled to a fair recompense for their work (unimpeachable major premiss). Each has a holding which affords no opportunity of work for more than 3 months in a year. (This damning minor is suppressed; but we bring it out). The whole produce of his holding falls short of what his family needs for a year. Therefore the fair recompense is the whole produce, since even sophistry can claim no more!

24. Deadly consequences of acceptance.

That the whole produce is a *fair* recompense for the very little work Rama's sons put in is a false claim. If it were not, then such labour in agriculture would be over remunerated to a degree no other trade could possibly tolerate. Yet its cause lies in the excessive occupation of land by too many people and

therefore could not be rectified but would be made much worse if thousands from other trades crowded on to the land. If therefore the uneconomic holdings are not to get worse and the overcrowding on the land is not to intensify, then the overpayment of cultivators by paying them full wages for all off-time and holidays or one year's pay for 3 months' work cannot be encouraged : Their own economic position would be made far worse if this brazen claim were admitted. The agriculturist to-day is poor because the claim is even partially admitted.

26. Rent due on every yard of land inside the 'margin.'

Rama's two sons on our island claimed that they must be kept (so far as the produce would go—more was even to their intelligence impossible) on full remuneration in return for half work. Had they had four grandsons these in turn would have claimed a full maintenance for a quarter year's work and so would have reached the frame of mind in which Indian landholders are approaching the problem. The true answer is to go back to Abel's theorem and hold that the just reward of agriculture is a fair living for as much work as it takes (in the circumstances of the age) to get that living off the poorest land in use taking as large an area of it as is needed for full work. On all other qualities of land, as much area as will give the same work is the standard or ideal holding. The better the land the equal dose of work yields a larger produce. But on all qualities for half work a half living is the just return, and so on. All surplus over this just reward is "rent". Thus the rent is due and accrues on every square yard of land according to its quality—and independently of the number of persons seeking or claiming to live (without work) on that land.

27. Economic and uneconomic holdings.

How does this affect land not on the margin of cultivation? Plainly it means that the rental which is levied on the better land holds good not only when it is cut up into holdings that are recognised as 'economic' (that is of such size and disposition that one family of normal size can by steady work, which the holding will provide throughout the year, earn a full and just

wage for all their work, and hand over any surplus to the public use as rent or l. r.) but also when it is further cut up into smaller or uneconomic holdings. The acre-rate of rental is due from every fragment.

28. Others workers cannot admit the claim.

If the 'true rent' of a 20 acre full time holding is 100, how will it be possible for the man with only 2 acres of similar land to pay 10? It means that he has ex hypothesi only work for 36½ days in a year (plus such extra work as is necessitated by the unsound and improper attempt to work the land in too small fragments) and from the gross produce he may deduct wages &c. for those days and then he will find he has 10 left over for rent-revenue. But you think it is hard on him to have to find other means of subsistence for the remaining 9/10ths of the year? No harder than for the mill hand, the potter, the tailor and a hundred other trades who when they have worked 36½ days still have to find work for the rest of the year. But the small holder has no other occupation, he has learnt no other trade and there is no employer to give him work? If that is true, then the fault in the social structure is *not in the law of rent* but in the neglect to develop those other industries and that is the right direction of help and uplift. But it is not at all completely true. The small holders do find much other work. Bombay is thoroughly familiar with the exodus of agriculturists to the towns, to the forests and all sorts of works; and equally familiar with the spectacle of the small holder who for most of the year works in wood and iron and cloth and the hundreds of 'cottage industries' without which the population would be paralysed. Yet familiar as it is our eyes must not refuse to see that as population grows these side occupations or rather a more wholesome division of labour must be more and more energetically developed.

29. Appeals to self interest.

Yet the politicians have but one panacea: abolish the land revenue on the small holdings and reduce it on the rest so that if not all at any rate a much larger proportion of the rayats may

have an easy living on their holdings. What they are really doing is to attempt to set up for the cultivator a different standard of work from that imposed on all other workers. Could you find a more popular slogan than this; "double pay for half work"! even if every voter qualified to vote by the ownership or tenancy of land voted for this slogan, would its justice be the better established? Yet a close cross-examination of every popular critic of the Bombay l. r. system would reveal that the realization of this slogan-ideal is the true basis of his policy.

If it has to be fought out, then is it fair to expect a Legislative Council with heavy over-representation of landed interests to give a just verdict? Let us empanel a jury of, say, one weaver, one potter, one mason, one clerk, one mill hand, and put the rayat on his trial before them, if justice is desired.

CHAPTER II.

The State versus the Individual.

30. Right of the State: the indispensable nature of State protection.

But we must harp back and take up the consideration of what ought to be done with the rent or l. r. which we have shown to be *the only means* of adjusting rewards to labour in their meet proportion. We need not go back to Adam: Manu is far enough, for he wrote in a time when the growth of population had produced a state more resembling modern times. He says the King ("like a tiger that carries cubs, feeling his teeth but not being cut") must take a share of the produce of land for the maintenance of armies; and in time of war he may take twice as much as in time of peace ("filling his subjects with fear and getting their wealth"). Why? Of what use, we may ask is cultivation if an enemy can sweep in at harvest time and carry away all the corn they want and burn the rest? Can land be worth anything to any man in such conditions? Yet the commonest claptrap of the agitator is that military expenditure is wasteful and that the rayat should never be called on to contribute to it. The English people had to submit for generations to the payment of Danegelt, the proper fixation of which was the prime object of the Doomsday Survey of William I. The rayats did not think military expenditure was wasted when the Pindaris had to be put down, nor when the British forces stopped the raids of Tippu. No need to go back to very ancient history. Read that of Bijápur, Bidar, Ahmednagar, Golkonda and Vijáyanagar. But, because for over a century no Bombay rayat has seen his crops carried off and his home burnt and cattle driven away, it is possible to gull the simple rayat into the idea that he gets nothing for military expenditure. Is it better to pay heavily for an army and get peace, or to pay even more and secure no peace? Yet in the day's of Bijápur the rayat paid more than now and was ravaged unsparingly to boot.

31. Civilised amenities bring unearned income.

When the crop is at least safe for the man who sowed what is the next need of the simplest civilisation? The possibility of selling or exchanging some of his corn for the other things he does not produce himself, (see para 19 above). In other words markets or trade; a sound currency; roads and bridges and a dozen more needs in this category. Let us look at roads, since we cannot examine all these items. A road enables a rayat to take his produce to market and to bring back what he has bought at less cost in time and labour of himself and his cattle than would be possible without it. Therefore his whole produce is worth more; or put in another way the surplus left after paying for all his labour and outlay is greater than before he had the road.

42.[1] Instance of communications.

Now mark this with care: this increase in assets *cannot* be attributed to the exertions or the expenditure of the rayat by any perversion of the imagination: it comes unearned as an extra rental value which on our previous showing he should pay up to the rest of the community. But who does provide the road? partly no doubt his own taxes, but also those paid by others; in other words the whole community is his creditor for the road. If therefore the community say to him: "you must pay us *the whole of* the extra profit you get by this road," while the rayat and his champions retort: "we are entitled to all the profits of our land," on which side does justice lie? Yet we shall see that our maligned l. r. system does not even try to take from him all the extra profit, but at the most only half of it.

33. Their effect upon famines.

Few people realise the extent to which the terrible famines before British Rule were due to the absence of roads and carts. The only means of carrying was either on the Wanjari's bullocks, or on the solid-stone-wheeled carts, which took eight bullocks to haul, and which could only travel a very short distance over the heavy unmetalled roads then existing, or not

existing. A very simple calculation will show that since these bullocks had to have food, and could not work hard at hauling unless some grain was given in addition to fodder, there was a limit to the distance to which it was *possible* to haul grain. Beyond that distance the grain consumed will have emptied the load. Nothing would have been delivered at the destination, nor could the team of bullocks have ever got back home. This is far less true of the modern bullock cart, which is often supposed to be the primeval vehicle in India, and yet there were no such carts when the survey commenced. It was Lt. Gaisford who set up the first factory for making carts, as now known in the Deccan, at Tembhurni. He met with great opposition; for a long time he could not sell any of his improved carts. But we now know what a revolution they have effected in the Deccan, in fact all over India. But when there were no railways and no macadam roads and the maximum limit to which grain could be sent was something between perhaps 50 and 100 miles at the most, it is not wonderful that great masses of the people died of sheer starvation, because it was not possible to move grain to them. The expenditure on roads which has ended that state of things should be recognised as one of the things which land revenue has provided for the nation.

34. Dwijadas Datta's Partnership Theory.

In a vigorous polemic "Peasant proprietorship in India" (Comilla 1924) against the Zamindars and the lawyers of Bengal, for whose benefit he has drained the dictionaries dry of opprobrious epithets, Professor Dwijadas Datta of the Comilla College sets up the ingenious proposition that the State does not claim a share in the produce upon any far-fetched theory of State ownership of land, or on the laws of unearned rent and such like hypotheses, but simply because—just as the crop is the product of the ploughing and sowing by the rayat—so too it is the product of the labour of the State in defending the rayat while he works, maintaining law and order, providing amenities: and the magnitude of the share of each should be regulated by the contribution of each to the final result. Oh! that it had been historically true! But the State unfortunately does

not provide these amenities first: it collects l. r. and then afterwards, long after, may sometimes provide these things out of it. It would be a splendid thing to make it provide them first: what a very different country would this India have been! When the State grows weary in this well doing, its right to l. r. grows weaker and weaker and of course the Professor has no difficulty in showing that the degenerate British Government has almost no right to any l. r. when compared with the magnificent services rendered in the spacious days of 'Ramraj'. I cannot gainsay this: I was not in India in those days. But I am told quite credibly that the modern India State has not changed much in theory, in its general view of its subjects' rights, since those spacious days. And I do know it would be hard to convince those subjects of the correctness of the Professor's theorem.

Also I have watched crops grow under the canals in Sind where without the canals no crops could grow. The application of the Professor's theorem in Sind would have startling—but very just—results.

I was surprised to read on page 129 that the battle of Plassey and several minor skirmishes at Buxar and so on were never really fought; but we do know how inefficiently the Bengal rayat has been protected against external foes since that unhappy time about 1765 when the British removed and classed as superfluous the old 'Maratha Ditch' after having defeated and driven off the Marathas from Kora and Kalpi and all the borders of Bengal.

34a. The 'burden' of land taxes.

Much pitiful nonsense is talked about the burden of the assessment on the poor man, the small holder. I once went for a holiday with a friend. He had £100 and I had £10. We agreed to put our money together and enjoy it in equal halves. Thus we each spent £55. When I got home I spent the next year in bewailing the burden and costliness of the tour. I who had only £10 spent £55; while he the rich man who had £100 had spent no more. But if you had said to me: "Did you not contribute £10 only while you actually spent and enjoyed £55"?

what answer could I have made? But that is exactly the position of the small holder in Bombay. The l. r. is pooled and many things paid for out of it. Not an anna goes for military expenditure: not one anna goes out of Bombay except to pay for goods received. It pays for the Law Courts and the machinery by which even the smallest right in land is secured, and much more. And in the use of all these things the small holder shares EQUALLY with the big holder. I am prepared to maintain that while the large holder who pays Rs. 100, may get a value of Rs. 50 back in the form of his share of the public services provided, the small holder who pays Rs. 5 also gets Rs. 50 back in the same form. He is protected; he reaps what he has sown; he uses the roads and a dozen other public services for which he pays hardly a tenth of their value to himself. Would you call that a 'burden', if you could in the same way arrange your private affairs as I arranged my tour with my friend? Now please do not take the figures I have given as exact, or carefully worked out: of course they are not. There are many industrious statisticians who may take up the subject. It will be interesting to get from them an exact balance sheet of what the small holder gets and what it is worth to him (subject to the serious consideration raised in para 227). But this is quite certain before they start, that the small man gets more than he pays for, while the big man probably gets much less. But of this tremendous fact how few of us are aware!

35. Land value the creation of the State.

The truth is that every development of the community, every step in civilisation, enhances the rayat's profits and raises the rental value of his land. Let me quote a recent writer.

"Land value or economic rent is recognised" (e.g., in Parliamentary Blue Book Cd. 4750 p. 239) "by every progressive thinker as the *communal value par excellence,* because it is not the product of any individual or group of individuals, but arises and is maintained from day to day by the presence and activities of the whole community. It comes into being with the community, grows with the community and disappears with the community." It depends upon the standard of civilization, rising

as it rises and falling as it falls. As the arts, sciences, and powers of production rise or fall, so does land value. As the efficiency of public services grows, so does land value.

36. Nation-building activities.

Since land value rises and falls with the usefulness of public services, we here discover an automatic indicator of the benefit conferred by those services, which is to be found nowhere else. That benefit conferred is expressed with wonderful exactitude in the value of land apart from improvements. Every municipal or national service finds its reflection in the value of land: as witness the effect of such things as roads, sanitation, lighting, public security, and the impartial administration of justice. In measure as these improve or are lacking, so does the value of land rise or fall. *Every useful public service,* (or as we are learning to say, every nation-building activity) *calls forth the wherewithal to pay for itself in the shape of the land value it creates*". (W. R. Lester).

37. Which the people cannot provide for themselves; the fertilising cycle.

Let us not also forget that the amenities, the public services (Police, Army, Courts, Post offices, Railways etc.) upon which we depend and rely in every department of life are such that the people *could not possibly provide for themselves* without a constituted Government.

It is an interesting cycle. The community establishes itself and multiplies; then rental value begins to manifest itself. There was none until Adam had at least two sons. The rayat pays l. r. and this is spent by the community (I do not say always and of necessity well spent; that is another matter). In so far as it is spent in any way that enhances the value of land (as for military protection, law, order, roads and public health &c.) again rent rises and l. r. should rise also and provide a means of paying for the developments and for *more* to follow when l. r. is based on rental value. Every such increase of the value of land and its profits accrues to the rayat first *before* he is called upon to

pay a larger l. r. The development of a healthy state then must be towards higher and higher land values, more l. r., and more and more expenditure for public objects like water flowing into a fountain spray which sinks into a basin and is pumped up again to perform its round once more, each time repeating the magic of its first shower.

38. The danger of leaving land value untaxed.

The levy of rent or l. r. is not a crime but a social necessity. There was once a country where landholders ruled : such a condition is by no means hard to find. They had abolished all l. r. and they 'owned' their land and pay no rent. They could produce all they needed and by cultivating a simple mode of life they had no need of any purchases. They grew lazy and ignorant, they worked as little as possible, just enough to yield their bare living. The townspeople upbraided them and said they wanted a better supply of homegrown food but the land-holders replied that the land was secure in their possession (they had taken care of that, in framing the laws); and if the town wanted food or other supplies they could buy from abroad. Then there came a season in which the rain did not fall as expected and the first sowings perished. Later came good rain but the landholders, ignorant and conservative, were too slow, and lost the chance of resowing. When harvest time came there was no harvest and a great famine ensued and most of the landholders were starving. They appealed to the town and said we are dying; but the town replied they were glad to hear it : "it served them right." So most of the landholders died and when next the Assembly to make laws was held the landholders were in a minority. It was then enacted that the interests of the whole people demanded that the land should be put to the best use : no land-holder had the right to hold it if he could not use it properly and work his best. Therefore the true rental of all lands must be assessed and paid annually to the State and so by selling his surplus the landholder would create trade and if he failed to make a success of his agriculture he must quit his holding and let a better man have it (see para 100). Since their late experience had sobered the landholders and awakened the town to the realities of the

position it was also enacted that if any administrator should ever take any step by which the true rent might be concealed or its full levy for the use of the public could be frustrated then he should be guilty of treason and be put to death. It was severe; but experience had shown that it was not only just but unavoidably necessary.

39. The Russian illustration.

Have we not seen the same thing in the last few years in Russia? The peasants placed by the revolution of 1917 in possession of land for which no rent or tax was payable responded by refusing to grow a blade more corn than they needed for themselves. The Soviet authorities tried compulsion (so did Aurangzeb) but in vain; and they have found that, unless a rental tax is laid on the land, the towns and the whole people must starve to maintain the peasant in idleness. Thus a grain of economic truth has effected what Deniken Koltchak and Wrangel failed to achieve: it has overthrown the utterly false doctrine of Karl Marx that the worker is entitled to all his produce. We saw in the case of Cain and Abel that Cain got on better land 10 or 12 bags more corn; and he got that not by greater effort or more labour but by the same as Abel. Nature's justice cried aloud against the doctrine that every man should keep all he could produce. False theory must end in disaster, even when backed by armies.

40. The Communist State obliged to adopt our theory.

Extract from an article in the London 'Times' contributed from Russia about June 1928:—

"After the introduction of the Land Code of 1922 peasants were permitted to hire labour and extra land. The peasants began to produce surplus grain but since they had no inducement to market their grain the supplies for export dwindled to nothing. The towns were threatened with famine, and only a rigorous campaign enforced by special grain collecting detachments could induce the peasant to give up his reserves. An "energetic" campaign has now been started and appears to be

very similar to the "forceful" one that preceded it. There is no secret about this persecution. Frunkin, Deputy Commissar of Finance, explained to the "Red Parliament" in April (1928) that experts had calculated exactly how much the 'Kulaki' (Khatedar rayat) could pay in taxes and continue to live; and announced that the State would take 30 per cent of his harvest."

(i.e. almost exactly Akbar's standard : and so operating that the poorer soils are not likely to be used).

Am I merely setting up a hollow bogey, to frighten people with talk of death and starvation, mere stuff and pure theory, out of relation to the facts and actualities? Well, I wrote the *above some weeks ago. To-day we know that the famine in the* Ukraine and South Russia is acute and 200,000 tons of wheat bought from America and issued for seed have been eaten by the starving peasantry, instead of being sown. But on December 5th 1928, M. Rykoff speaking at Leningrad dwelt on "the danger of possible breach between the town and the village owing to their inability to supply each others' needs. Though population was increasing, the present cultivated area was less than in 1913 while the average yield was 10 per cent below the pre-war yield......There was an acute danger of an explosion of the whole (Soviet economic scheme)". So not altogether a 'pure theory' Bogey.

41. The machinery of rent spreads cultivation.

Rent (whether levied by a 'landlord' or by the State as l. r.) is the machinery by which the cultivator is kept up to his fair share of the work of the community: without it the population cannot grow and the whole community risks starvation. It operates thus: the rent on the better land puts its cultivator on a level (see para 98) with the man on the marginal land. When population grows it is unavoidable that more work must be done to produce food; at least it is obvious that a larger area must be used. The first symptom in the modern State is a rise of food prices. That means a higher rent on all the better lands because the excess produce sells for more money. But as soon as rent rises on the better lands the marginal land becomes able to pay a rent (because the cultivator gets more for what he sells

to provide his needs of goods that do not grow on land). This pressure induces either the man cultivating the marginal land or some other man to offer to take up more land just outside the former margin. This results in an increase in the food supply and a relaxation of the prices and finally all cultivators find they have to put a trifle more work into land to meet the higher rent level. This 'little more' can be achieved by cultivating a larger area or (since where land is fully occupied and tightly held this may not be easy or even possible) by more intensive cultivation, more manure and machines, more water and labour which all result in greater yield from the same area. Whether this process could go on for ever we are not now to enquire; for the limit of advance has by no means been reached. Such is the beneficent and life saving operation of the delicate machinery of rent.

42. The rival claims contrasted.

I would invite you to be present at the finish of harvest when all the produce of the year is at last ready for disposal on the threshing floor. First, the recoupment of all expense for seed manure, extra labour and any other charges or cash outlay such as the food, insurance and sinking fund on cattle, and anything else of that sort which the cultivator can think of will of course be conceded.

The owner cultivator first puts forward his claim to *recoupment*. After deducting all that, he may make his further claim in two main forms.

(a) He may claim full maintenance for himself and his family not only food but also clothes, house, furniture, fuel and jewelry for himself and his wife and his aunt (who has not worked) and all the little cultivators: this claim being unlimited—it should be noted—either to actual necessities or by valuation of the labour put into the land to produce the crop.

(b) He may claim a full standard wage per hour or per day (not excluding overtime for any specially long days or special exertions) for every stroke of work put in by himself or by any of his family.

The real problem for the politicians is, which of. the two claims do they support? It is a choice that *must be made,* but usually is evaded by vague terms about 'cost of production' and 'maintenance of the cultivator' and they are afraid to come into the open and say which they mean.

43. Shall agriculture be a sheltered industry?

If they mean (a), then they ask that the cultivator be put in a special class, remunerated on a principle not accepted for any other kind of labour— a 'sheltered' industry in which no other unprivileged persons may compete or intrude. But this claim will never be conceded by the Mill workers or even by the *agricultural labourer* paid by wages (not a tenant); nor will it be conceded by a fair minded public.

If they mean (b) then a revolution in Indian agriculture must ensue. For every Indian owner cultivator is putting forward claim (a) and not (b); and will gleefully tear to pieces any one who insists he should confine himself to claim (b).

44. The false claim recoils in poverty and misery.

It is a bitter seed of conflict; and it is easy to understand the reluctance of publicists to state it and answer it. If the Agriculturist is not to be a privileged class entitled to live well on far less work than other classes, then the decision must be for (b). The ex-holder who has mortgaged his land or sold it and taken the cash and now is trying to work it off is often, as a tenant, left with only (b) or sometimes even less than (b). But we are thinking of what the cultivating holder working on his own land, owing no rent to any man, claims; and his claim is for (a); and this false idea colours all discussions of l. r. and agriculture and small holdings and so on. How can a country be anything but miserably poor when from 50 to 75% of her population claim the right to live on about 60 days' work a year? The average for all classes of cultivators is put by very optimistic witnesses before the Royal Agricultural Commission a 180 days a year: I am sure it is not so high; 180 days would be nearer the maximum than the average. But see Vol. II (i) page 185 Q 17; page 217 Q 49,286; page 514 Q. I 7. Even on a 20 acre holding the bullocks have only 50 days' work a year,

"The most striking feature about typical agriculture in India is the amount of leisure it allows." (page 500 para 421, main report).

45. Anarchism.

But, putting aside riches, the Indian cultivator may say I have a right to remain as poor as I like; you have no right to make me work and you have no right to come to me and say you must at least do enough work to raise a surplus crop to sell to other classes of the community and pay your l. r. out of it. He will say I do not want your 'State' or its protection: I do not want law or order; I can look after myself. I refuse to lift myself above the level of working for minimum subsistence and such necessities as I must have, in order to add those luxuries you talk of.

46. The Answer.

What is our answer? That the argument is false. Without what l. r. buys there would be no community, no agriculture, no peace; and no man would have much hope, after he had ploughed and sown, of ever reaping. Further we say that no community no nation can even rise towards the greater good of the greater number unless it produces the most *and not the least* it has the ability and the natural resources to produce. He who makes claim (a) seeks to eat not the fruit of his own labour but that of others. He is a parasite upon the life of the community.

47. The law of Diminishing Returns.

We must not of course forget the Law of Diminishing Returns. That law holds out a gloomy prospect for future increases of population. The law is founded upon incontestable facts. It is that if on a given piece of land you can by a certain amount of labour and expenditure, which we will call *one unit,* produce say 20 bags of corn then if you double that expenditure and labour and apply two units you will not get 40 bags, but perhaps 30; and if you further intensify the labour and expenditure and make it three units, you will not get even 45, but perhaps 40; that is to say, for every dose of labour (or whatever other expenditure on manure etc.) applied to land, each

extra dose will yield a smaller proportionate return than the preceding dose. If this is so then there would be a limit to the number of people who can live by the produce of one acre. But fortunately as against that we have the laws of subdivision of labour by which the more people there are to work, the better they can apportion the labour amongst themselves in such a way as to make it more and more effective. Powerful machinery, irrigation, specialization in a particular crop, chemical manures; all these things counteract and modify the effect of the law of Diminishing Returns. And it has yet to be proved whether division of labour may not altogether cancel that law. The greatest enemy of sub-division of labour and specialization is the evil doctrine of "self-sufficiency". One often sees a rayat cultivating, say, about 8 acres of land on which he will grow a patch of jowari, a patch of bajri, some ground-nut and some cotton, and again another patch of vegetables and spices. He says that since he has to provide his family with all these different products, he is bound to grow them all. Yet he does not realise how great a waste of labour is involved. This is what ruined the mezzadria (half-crop share) tenants in Italy. If he concentrated on one crop, or even if a whole village concentrated on a single crop (making full use of every species of co-operation, machinery, manure, etc.) and relied upon trade and interchange (vide para 19) to supply themselves with all the other things they need, the gross product would be largely increased and their time set free for much more profitable use in other industries. We can see this condition approaching in some of the richer cotton growing tracts (e.g. in Broach) where the whole population concentrates on one crop, and buys all its other requirements with the money got from the cotton. It is a difficult problem and complicated by the fact that work has to be found for men and bullocks for as much of the year as is possible. But nevertheless it remains a basic fact that no community can get richer by wasting its time and labour. (Mr. H. B. Shivadasani M.L.C., made an effective speech in the House on the Small Holdings Consolidation Bill on this theme in 1927).

48. Division of labour counteracting that law.

If there were in the world only 100 men, little or no subdivision of labour would be possible; each would be fully occupied

with his immediate needs. But each increase of population makes more and more sub-division possible. Imagine life before the invention of pottery. Every man, woman and child had to take himself in person to the lake or stream every time he wanted to drink water. When the earthen pot was invented one person was told off to fetch the water while the rest worked. My infinitely-great-grand-mother had to go every day to a stream to fetch water and it took a good deal of her time. When the population grew to millions, a few thousand men set to work one winter and made a big tank and laid pipes, and never after does any grandmother lose hours every day in fetching water. But what was the condition that made this labour-saving capital work possible?

49. The average of labour falls as civilisation advances.

Not *only* the capital; but the intelligence and the mutual trust that led so many men and the whole community to co-operate. Given co-operation and intelligence when there are in the world 1000 men each has to work less than when there were 100 and when there are 100,000, each works less than when there were 1000. You do not believe that? you see lots of men working jolly hard? But how many are there (landlords, women and children, invalids and old folk) who never work at all? It may be that the worker actually has to put in more (or at any rate more monotonous) work than ever : but the average of this over the whole community is less. If we got really pressed for subsistence there is a fine reserve of non-workers to call out even without overtaxing the infirm. Therefore there is some ground for holding Malthus wrong. If each increase of population enables a finer and more scientific sub-division of labour and if co-operation and intelligence rule, then with twice its present population the world will work (individually and on the average) less than now.

50. Many Indians' attitude to progress.

But what have I said? I have directly contradicted para 9 where I said increasing population meant more work for each. Can both be true? Yes, if you are careful to note the new factor of co-operation and intelligence. These conditions require that

each man shall be kept only to the work he is best fitted for and that capital and brains should be applied and used. Deny these conditions (as so often in India where men do what they are born into, and all use of capital and brains is scorned and regarded as 'unsuited to the country' and unacceptable to the conservative rayat) and the first proposition holds that increasing population means more work and less produce. But concede these antidotes and it is not so. There are two kinds of population in the world, and some mixed samples in between; it has always been so. One is the progressives who can multiply without starving, the other are the unprogressives who cannot. The inheritance of the Earth is not for the latter.

"We cannot put the clock back. We cannot, let us say, wipe away the great steel works of the world and replace them by thousands of individuals each with his single anvil and single hammer. We cannot replace the great ships of Glasgow by a multitude of little sailing boats. The plain truth is that modern craftsmanship with all its noise and ugliness is giving food and clothing, warmth and interest to millions who otherwise must die." (Sir Wm. Braggs at the British Association meeting, Glasgow, August 1928).

51. Improvements of the land.

But this leads us to the subject of improvements. When Abel found that all his toil would not get more than 40 bags of corn off his land he got it adjusted by the law that be should (in common with all others) share in the surplus of Cain and it was also set up as a standard that Cain and all others must work by the standard Abel set. One day Abel found a spring of water not far above his field and having observed that more water, in moderation, meant better crops he set to work and after many trials and some failures succeeded in constructing a basin and channel by which this water flowed to his land. He kept it secret but the hostile eye of Cain soon noticed Abel's crops were better than before; and he called Adam's attention and said: 'It seems Abel's reason for making me pay rent has gone'. When the secret was out Abel argued that he had made this improvement by extra work and was entitled to all it yielded.

But, Adam could not in fairness allow this. "No" he said. "You have yourself set up the proper test. So far as this extra produce is in just proportion to your labour in making this first irrigation work you shall keep it. But if it is more than a full and fair return then there are two just ways in which we can deal with it. One way is this:—"you shall keep the extra produce until its value has completely repaid you all the work you did in making the improvement; after that you must pay in rent all the extra produce. Another way is that we should see how much of the extra produce would be a fair return annually in perpetuity on the 'capital' labour you have spent and the excess over *that* should be paid as rent forthwith." The law of New Zealand is that, from the gross value of a holding the cost (and no more) of the improvement may be deducted.

52. Their just treatment.

It is hard to judge exactly in many cases what was the labour spent and what would consequently be a fair return annually therefor. But no man will make an improvement unless he reasonably expects to see the fruit recouped in his life time or since life is sometimes short say in 30 or 40 years of his own and his son's life. Therefore let us say that, if we have no better way of judging, then let the improvement go untaxed for say 35 years as a rough and ready and also liberal estimate. There after let it pay the full normal rent. If we let it go free for ever it is a violation of our first principle of a just reward for each unit of labour. The Romans terraced and drained many hillsides in Britain; shall we still let the holder go free of tax in respect of what they did? Therefore the true law (see Parliamentary Blue Book Cd. 4750, page 291) is this: that all short term improvements which last a limited number of years (like building a shed which has to be rebuilt every 20 years) go untaxed unless it is quite clear (as in the case of occasional "pátasthal" irrigation) that the profit largely exceeds the just return upon the outlay. All permanent or very durable improvements (like removing rock by blasting, sinking a well in rock, terracing &c.) shall go free for a generation and then be taxed as having been paid for and having 'merged' in the soil itself' (as the technical term goes.)

The main valid argument for a Thirty Years Settlement is that it automatically exempts all improvements made at the beginning of the period for 30 years. But if the exemption is to be permanent there is no argument left (see para 98).

53. The paramount importance of incentive to improve.

The whole community wants its land improved; nothing which bars the way to an improvement should be allowed. Need this postulate be elaborated after what has been said above? Whenever the worker on the land sees that any extra work, which we may call capital work, will improve the yield for a limited or unlimited number of years he must be assured that no one will demand more rent or l. r. from him until he has fully recouped himself for his work. Unless he is sure of this, he will not set his hand to the work. But to know that after he has been repaid he or his son may be taxed is *no deterrent,* but is required by the same justice which lets the improvement go free till it is paid for. Of this we shall have more to say when we come to tenancies.

Capt. Cruickshank (1872 Report on the Daskroi page 125 para 70.) notes that the 'chief need of the Daskroi was some incentive to improve, or to grow superior types of produce. The cultivator must have a larger proportion of the profit than he can have when the l. r. is *proportionate to the gross produce*".

CHAPTER III.

54. Genesis of the idea of Owner and Tenant.

The subject of land ownership and tenancies must come next. We left Cain in 'possession' of a field which produced at first a surplus of 10 bags but he had to give that up to the 'State'. Suppose he wanted to go away for a year or two: or to give up that field altogether and look for another. Would a third man have given *him* any price or rent? Obviously not.

But if by finding more labour-saving ways of cultivation, the surplus could be raised to 15 bags and that was not discovered by the 'State' or if discovered was allowed to pass *untaxed;* then plainly it would be worth 5 bags to a third man to take over Cain's field. But if he did not himself want the field what right had Cain to expect that this surplus should always be *his?* This is the pith and kernel of all land ownership or occupants' rights: the right to pass it on to another and to make that other surrender to the last holder all the untaxed surplus. We will not pursue this avenue of thought further: it leads to very uncomfortable reflections. We will be content with the facts that it was the recognition, the legalisation of such a right that is the essence of land ownership. Yet it is clear that it is a worthless right unless the State takes in l. r. less than the real surplus, as judged by Abel's theorem. "Proprietary rights can only be destroyed by a land revenue in excess of the 'rent'; the untaxed portion gives the holder a proprietary right he can sell or lease".((Joint Report of 1840, para 9).

Indispensable to the growth of such a right is also some system of record who is the owner and of some law and tribunal before which the right could be maintained. The right would be worth little if each time it had to be fought for and the claimant risked his life in making the claim.

55. Proprietary right the creation of the State.

All right in land is the child of the State law and can be enjoyed ONLY in obedience to that law.

When there is no surplus still the occupation of a field gives the holder the chance of making a living: that is of course fundamental to all agriculture. And when land is fully occupied and no unclaimed fields are lying about the succession of the son to his father's land is of great importance as a means of earning his living. The State does not want any land unoccupied that, in the conditions of the age, is needed for the people's food and if the surplus or rent were all taken by the State, there would be little temptation to a third man to try to seize the field on the father's death. If such temptation exists it indicates that competition is beginning to put up rents above the State l. r. demand. Probably therefore the idea of hereditability of holdings preceded any idea of their sale or rentable value. But even this idea implies some record of holdings and law of inheritance.

56. Evil effects of untaxed rental value.

Trouble begins when the l. r. demand falls short of the true rent. On the one hand there are the needs of the state, on the other are many thousands of holders all solid in one interest to keep the State demand below the true rent. Once it is so pitched below, the holder now has something he can offer for sale. He says to the third man "I will transfer to you the chance of making this unearned profit or difference between the l. r. and the full rent". That means that he will get away with and enjoy in perpetuity that difference. Not until the difference again increases can the purchaser enjoy any profit: he has to work the rest of his life to earn the State demand and his living, and also the value he has paid cash for, which accrues unearned but will cease immediately he ceases work.

57. Cain's first sale of land.

If then the State discovers that the true rent is higher than the l. r. and raises its demand is this a confiscation? Yes: if it reduces the difference between the l. r. and the rent below the

figure at which the purchaser estimated it. We will for brevity call this difference the "untaxed rent". But if the untaxed rent grows so that it is still (after the revision of l. r.) not less than the purchaser assumed there is no confiscation. Let us take concrete figures.

Cain's field was estimated to bear 50 bags, 10 in excess of Abel's 40; and so was assessed to 10 bags as l. r. But when he got it into good 'heart' it really gave 52 and when superior manures were introduced this rose to nearly 58. For several years Cain leased it for 8 bags, the tenant agreeing to pay also the l. r. (10); and then the tenant offered to buy it. Other men also made offers. Ultimately it was settled that since the untaxed surplus (over and above the cultivator's living, which is always intact and the l. r. which cannot be sold) was about 8 bags this value "capitalised" on an expectation of 8 per cent on the investment was worth 100. In other words if the buyer paid 100 bags to Cain, Cain would transfer to him the right of getting an assured 8 bags a year *without working for them.* But mark the cunning, The buyer would have to use his 8 bags annually to recoup the 'cash down' 100 bags he had paid Cain: there is no profit for him, it is merely an investment of capital already acquired. The buyer (or some tenant for him) *has to work every year* to secure that interest which only accrues when also the basic 40 bags of living are earned. But Cain who got away with the 100 bags will for the rest of his life (indeed he and his descendants for ever) receive 8 bags of corn every year *without having to work* or do anything at all. Viewed conversely, if we admit (though we do not) that Cain was entitled to get the full value of his 'property' then by deducting from the vend price the capitalised value of the l. r. it can justly be said that the vendor pays in perpetuity all l. r. foreseen at the time of sale. (Parliamentary Blue Book Cd. 4750, page 260). Now suppose the State discovers that the true rent of Cain's field has risen to 18 bags and raises the l. r. of the buyer (who is now responsible) to, say, 16 bags. This will be confiscation; for he will now be taxed 6 bags out of the 8 he 'bought'. But if enhancement is not made till by increase of population and so on the true rent has risen to 24 bags there is no confiscation: because the buyer is still left with the surplus of 8 bags he bought

and was justly entitled to. It all depends on whether Cain and his vendee had or had not fair reason to expect that the l. r. would be raised.

58. When does the taxation of rent confiscate?

The original l. r. and *any reasonably foreseen increase* is never the subject of sale or purchase. If the buyer grumbles that "I bought this field and yet the State makes me pay first 10 and now 16 bags as l. r.; it is cheating me of what I paid for," he lies: he is deceiving his hearers (and perhaps himself) by confusing the part he bought (the untaxed 8 bags) with the whole unearned surplus of the field, (first 18 and then 24), which he did not buy.

59. A catechism on sale.

We are now in a position to establish clearly a few points about sales.

Q. What does a sale of land mean?

A. No one can eat land: he can only enjoy its produce, which can be got only when someone *works* on it. What is sold is the future 'untaxed rent' which the vendor retains for himself while transferring the right to work on the land to the vendee.

Q. That is curious: you say that after a sale it is the seller who keeps the land-profits, not the buyer?

A. Yes: if you think it out that is so. The Buyer gets nothing but a risk and a right to work. The cash or goods he pays for the land were his (or perhaps his creditor's) before he buys. He parts with that value and gets a future right. But the vendor gets a value with no future obligation; he can now all his life enjoy an income without a stroke of work.

Q. Who really pays him that income?

A. The community; because it was *their right* to l. r. he sold, being left free to do so by laxity in levying a full l. r.

Q. The result of that laxity is that a vested right is conferred on the buyer to have that untaxed surplus left always untaxed?

A. That is the implied essence of a contract of sale of land. But the State is not a party (except by laches and indifference or neglect) and can and sometimes does ignore this understanding and takes away from the buyer what he thought he had bought. Thus the seller gets off and leaves the buyer with all the risk.

Q. But is not all taxation a sort of confiscation?

A. Not when it takes the unearned rent according to the principles we have defined. But in other taxation (such as income tax) it is; and this is one essential difference between l. r. and all other (or most other) taxes. Income tax takes what I have earned or not earned indiscriminately: l. r. takes only what I have not earned but the community has earned for me, so to speak. Therefore it is not taxation but restitution. And if sometimes the l. r. infringes on the illegitimate contract of the buyer and seller and takes a part of the untaxed rent which the vendor (perhaps unconsciously) sold in fraud of the buyer then at any rate it is doing no worse than other taxes: it is only confiscating something the buyer has paid for and earned which an income tax also does.

Q. But if the increase of l. r. is no greater than the increase of true rent, then there is no confiscation and the 'tax' if we so choose to call it, is different from all other taxes?

A. Certainly; it is not a burden upon industry or labour: it takes nothing any man has earned but recovers from the land worker his *unfair* recompense the 'tax' he has collected from the community in selling his corn.

60. Leaving rent to 'fructify.'

But would it not be better to leave this unearned increment in the hands of the land-holder to fructify (as it has been expressed) in the pockets of the people? Let us see what guarantee there is. If collected by the State, all the constituent elements of the State, in democratic states the whole people, have control of its outlay. If left with the land-holder, no one has any control. IF we were sure the land-holder would use all the surplus in productive ways, founding new industries and improving every public amenity, on roads, railways, bridges and so on, and would also undertake to keep internal law and order and external peace and freedom from invasion, then it would save trouble to leave the surplus to him. But will anyone guarantee that even the best land-holders will do this? We can at any rate be certain that the worst will not.

61. The Permanent Settlement.

Let me refer to the case of Bengal* and its permanent Settlement. Few know that it was a mistake not distinguishable in essence from our 30 years' settlements. The E.I.C. in 1765 found that the Moghals had been collecting their l. r. through agents or farmers (not in the sense of cultivators but 'publicani') who were called Zamindars—It was impossible at once to work out a new l. r. system, so they were continued. It had been the Moghal practice to allow them a commission of 9 per cent on their collections, exactly like what we are used to call Isāfatdars in Thana and Khots in the Konkan. The Sind Zamindars (putting Talpur Mirs for Moghals) had exactly the same origin. That is to say not one of them had originally the faintest trace of a right in the land any more than if I take a ferry contract I begin to 'own' the river. But those were the glorious days of

*Bengal has been split up since the Permanent Settlement and much is now in Bihar and Orissa. Also the same settlement was extended to some Madras districts (the Northern Sarkars). Actually the gross occupied area in British India is 615 million acres of which 123 millions are under this Permanent settlement and pay on an average about 9 annas per cropped acre against Rs. 2-5-0 paid in Bombay.

The deficit below a full revenue (say at a standard of even 33% of the full rent) on these 123 million acres is roughly 16·1 crores; but I have in the text taken it at 15 crores only.

exclusive land-lord domination in England when it was believed the best of all possible conditions was that the land-lord should take every thing and he could be trusted to make much better use of it than the State would.

A very odd fact is that England did not get a real permanent settlement till 1798 (five years after Bengal). It was pitched at about 1/5th of the *then* rental value; (twice as high as in Bengal) but it extended to Imperial land-taxes only and not to *local rates*, which have since grown without limit.

62. The cause of that mistake.

The Directors of the E.I.C., probably all land-lords, could conceive nothing better for India than to have a strong body of well-padded land-lords who would see that the 9 per cent rent left to them fructified in the right pocket; and would improve the land and acts as benevolent deities to their tenants (who were just as much if not more owners of the land than they). Moreover the idea that rental values might change—especially in such a very conservative country as India where they surely had not risen under Moghal rule—never entered any head. Therefore the Zamindars were left in possession of 1/11th of the rent (Reg. of II of 1793) and no one thought that that fraction would ever grow. So it was not enacted that they should still only retain 1/11th of any future increase but ALL was left to them. The consternation of the Hon. Directors when they found that estates were selling for more than one year's revenue (@ 10 per cent standard interest you will see that is what would happen if the rent rose and left *more* than 1/11th to the Z) is amusing and sadly instructive to read. In 1796-7 and 1797-8 land assessed at 36,93,632 sold for 39,37,996 (little more than one multiple); but in 1814 land with a jama of 83,485 sold for 2,32,451 (2.8 multiples). That made the Directors jump! In other words the untaxed rent trebled in the first 20 years of the settlement that was to be "Permanent"! But it was this startling fact more than anything else that saved the rest of India from a Permanent Settlement and the able, but at the time ineffectual, Minutes of Sir John Shore.

63. The disappointment and the consequences.

But what next astonished them—so unlike their belief in the English Squire whom they represented and apotheosed in literature into a local god, not fortunately so well enthroned that the fiction could withstand a dose of electoral reform—was that the Bengali Zamindar did not improve his land, did not feed the poor and protect his sheep; but proved a very disappointing pinchbeck squire. Thus a little grain of economic truth again triumphed over great forces and showed up Permanent Settlement as a fraud in all its aspects. It proved (fortunately in time for Bombay to escape) that the landlord is not and never of course could be an efficient substitute for the State in disbursing the blessings of the State share of rent.

One very grave consequence is that the rest of India has to meet the charges Bengal* cannot meet. The permanent settlement is estimated to be to-day about 15 crores of rupees short of what would have been the full I. r. of Bengal under (say) the Bombay system. Then this is the amount of which Bombay, Madras and all the other provinces have to meet the deficit. When in Bengal* you see a good road or a College maintained by Government it should be labelled "Donated by the poorer provinces of India as bakshish to the Bengal Zamindars." Examine the accounts and you will find this is so. If ever all India became emancipated from the obligation to respect British pledges (as many swarajists have told me will happen) it is certain Bengal will not have much cause for rejoicing.

64. Sale of land or of slaves?

But if instead of selling land we sell a human being as a slave? That seems to you repellent and inhuman?

Yet what in fact do you sell? Not the flesh of the slave since the purchaser rarely designs to eat him; but his labour or rather the fruit of it since even labour cannot be eaten. And the slave must be fed? Certainly; by any but the most foolish, shortsighted purchaser. Then to buy a slave means that you intend to let (or make) him work for the rest of his life and

after consuming the cheapest food he can find give up to the buyer all the surplus he produces. Do you roughly at any rate admit that is about true? Then a prize is offered for any one who is clever enough to discover in what buying a plot of agricultural land differs (except perhaps in degree) from buying one or more slaves. For no land can have any value except in association with a tenant. Take the tenant cultivator away and it is as worthless to the rich investing purchaser as a motor car without petrol. It is the tenant who is really purchased when you purchase land; even if you buy to cultivate in person you will then (as tenant) have to work for yourself (as owner) and will make a bad bargain if you do not work as well as other tenants would; but you will be very apt to be lenient to yourself!

65. Tenancy.

Let us therefore consider tenancy. If Cain could find no buyer the next step was to find a tenant who would pay to him annually what he could not get in a lump sum. Moreover on reflection you never know how much rent is going to rise and, if you sell, you part with the unforeseen future increase: when you let, you do not.

66. The nature of rack renting.

Cain invited all the likely men he knew to compete: call them T1, T2, T3, and so on. T1 offered 6 bags; but Cain demanded 10. Then T2 offered 7 and Cain came down to 9; still no agreement. Then T3 offered 7½ and Cain came down to 8½. Finally T4 got it for 8 because Cain feared that another man who was going to offer 8½ could not be trusted to pay it.

All these tenants knew quite well that they would get their living safely; that was not and never is in the 'market' to be bargained for. What differed was their estimate of the surplus. Or rather we venture to think in some cases they were 'trying it on' and seeing what they could get. But Cain who had worked on the land was not to be deceived. He knew as well as they what was the rent. But why did they not put in estimates of

so much for labour and so much for seed and so on? You will see if you refer back to para 14. Those estimates were at the back of their minds all the time and also the much more important estimate 'what is the gross possible yield I can get by the amount of labour I am willing to put out?' The point at which their bids met the counter bids of Cain was a far safer measure of the true rent than any detailed estimate worked out by interested persons. Cain would have shown it was easily possible to get a surplus of 12 bags but he finally took 8; T1 and T2 could have proved that no more than 6 or 7 bags were possible; but T4 agreed to 8 and that is the common sense of the matter.

67. Where the landlord is the ally of the community.

Suppose, you ask, they made a mistake? suppose T4 found himself starving? would he renew? would Cain let his rent down? T4 would never renew if he felt sure he had done his best and no more was to be got: Cain would never abate his demand if he suspected T4 had slacked or was a bad manager. When the landlord lets he never tolerates for a second year a tenant who gets less than a proper outturn. Here the landlord is the *ally of the community.* If the state collects the full rent it fulfils the same function. It is the first condition of agricultural prosperity and progress that no one should find it possible to remain in occupation (i.e. blocking the access of others) who cannot get the best or nearly the best yield of which the land is capable. It is treason for any Government or for any landlord to make other conditions possible.

68. Middlemen.

All legislation recognises the right of L to insert any covenant he chooses in his lease to protect the land from any act of T which operates to the prejudice of the rental value; as well as against default in the rent.

All landlords the world over are agreed that the 'middleman' who takes from them their land and then sublets it to others is a curse and a parasite. Every covenant of lease contains a

clause prohibiting it: In Ireland it was allowed for 'conacre and agisting' (cattle grazing) only. The objection is that 'profit' (some further slice of the untaxed rent) is intercepted by the middleman instead of arriving at the pocket of the landlord where it would fructify to so much better advantage. Yet? Yet do not all landlords stand to the community in exactly the position of the middlemen they so hate themselves?

69. Evolution of the 'Landed Gentry.'

In all countries and climes as soon as the 'proprietor' sees his way to live on the rent without working, to live as a gentleman', he does so. (Field's L and T: on Belgium). The produce of one man's work is made to support two families; and of these the non-working family lives usually better than the workers. The remedy for this injustice, as soon as the world awakes to the full consciousness of its injustice, is not to nationalise land, not to dispossess landlords, not even to hang or burn them: but simply to reassert the EXISTING right of the State to a FAIR share of the rent that is to so much as will leave no room for fat middlemen.

This is a marked feature in Bijapur: the city population is rising rapidly, swollen by land owners who find they can live comfortably on the rent and can live in the town without working. Candidates for the I.C.S. now go to English Universities supported solely on the untaxed rent of lands which a century ago were worthless. In fact, the percentage of tenancies in any area is becoming a reasonable index of the height of rental value (see para 76).

70. Latifundia or farming by hired labor.

Without letting the land even to a tenant an owner can still reap much of its rental value without working if he employs hired labourers. Here of course is another way of readily ascertaining what a landowner earns in the form of wages and also in the form of rent: he can refuse to earn any wage but can

pay other men to do all the work and what he pays for any work he might or could have done himself is what he would have earned as cultivating owner; while what remains as profit is almost purely rent, or unearned surplus. It is frequently urged that all this extra is earned as the wages of supervision. We have seen calculations for farms of only 2 or 3 acres in which after remunerating the cultivator for his work, he is assigned the rest as supervision charges for looking after himself. It is of course a disingenuous attempt to smuggle the rent, as the process of letting the same land to a tenant will promptly disclose. The tenant is not allowed by the landlord any 'wages of supervision'.

71. How to distinguish Tenant from Labourer.

If you wish to distinguish between tenant and hired labourer, ask whether he is given any interest in the outturn. If his remuneration rises or falls with the final yield he is to that extent a tenant; but if it is independent of the yield he is a labourer. Naturally there occur cases in which the contract has both aspects. In such it can safely be assumed the whole rent ultimately reaches the landlord. The 'haris' in Sind are tenants beyond question: but with obvious political effects they are not enfranchised but termed 'labourers'; while in Gujarat men in exactly the same position are enrolled as tenant-voters.

72. The political evil of interests in land: The Indian Civil Service.

The interests are so vast that when any Government falls under the control of landholders (or tenants) it is most injurious to all other interests. For this reason Clive established it as a prime condition of the Indian Civil Service that they should hold or own no land in India. With the advent of Indianisation that condition is passing away: it becomes impossible. We are already seeing the fruits emerge. I wonder how soon India will go back to the law of Manu which declares "all Shrotryas and all who have befriended Shrotryas" exempt from l. r.? (R. S. Vaidyanath Aiyar's *Manu's Land & Trade Laws*). It is feared

that India while grumbling at the cost of the I.C.S. has never realised what a priceless asset she is losing in losing (see para 69) a disinterested administration, at any rate not allied to her land owners or their tenants or to any other of the warring sects and interests that rend this land.

73. Rental value easily separable when owners cultivate.

From what has been said it is obvious that whatever the State does not take out of the rental value is left to the land-holder as wages of idleness which he can enjoy either while working on the land himself or while leasing it. The most profound of the errors widely spread in the minds of those who too often argue and dictate about land revenue is that there is no "rental value" when the holder himself tills the land. This is a delusion which can be dispelled by the simple process of separating the functions. Let the holder who works his own land choose any other similar land he likes and work that instead : let him lease his own land to a tenant. Then it is apparent that the rent is there and was enjoyed by him (less what be paid in l. r.) ; and that the cultivating owner can get his living equally well by tilling other land.

74. The danger of not taxing it.

The reason he clings to his own holding is that there he can best conceal the rent he is enjoying in addition. Every day's food he gets in the form of untaxed rent means one day's less labour he is obliged to put into his agriculture. A sturdy ambitious race will take advantage of this to work as much as possible : the "max : product" sentiment. But a dejected evasive race obsessed by the "minimum effort" sentiment will slack and the whole community must suffer for it. The great Irish Famine of 1847 brought into a glare of light the terrible danger of excessive fragmentation (too many idle persons on each acre of land) and of encumbered landlords unable to help. If therefore the State does not take all the rent and so compel a full

use of the land, the next best condition is that all the land should be tenanted on rent. Then the landlords will see that a full output is secured. But the most dangerous (see para 36) condition is when the land is held by its cultivators and the State does not levy a full l. r.

75. Fair rents and rack rents.

When we discuss the renting of land (which means of course the transfer to another of the task of working to secure the untaxed rent for the benefit of the non-working owner) we are frequently met by the conception of 'fair' rent in contrast to what is termed 'rack' rent. It seems assumed that there is some divine or transcendental standard of rent which is fair; but that when rents are settled by competition among tenants they are unfair or impossibly heavy. There is no foundation for the distinction; a rent fixed by competition is more likely to be fair than any other fixation. If it is feared that it is not fair, then the answer is *more* competition on both sides. Suppose all competition of landlords and tenants were prohibited or rendered unlikely by special conditions. There could be no competition of landlords if there were only one offering land to lease; none among tenants if there were only one able to make any offer. Then how should these two persons, the unique L and the unique T, fix the rent? In the same way as Adam fixed Cain's rent (para 7). That is by seeing carefully what labour and other expenses are required to produce on the poorest land in actual use (the margin) a crop sufficient for a living: and how much is the final yield on better land. Ah, it is said, that is of course much fairer than cut-throat competition. But is it? However carefully we keep such an account and watch, still human nature is human, and will never wilfully expose itself to loss or hardship. If the competition is of tenants only (as where one landlord alone has land to offer and many tenants want it), then the rents are likely to be high and so screwed up that the living left for the tenant is close down to the least he can live on. But it can never be *below,* since neither tenants nor slaves are profitable when dead. In a recent Settlement Report it is noted that "tenants often find

(in that locality) labourers' wages more remunerative than the nett income they can earn as tenants; and so they desert agriculture" (M. J. Dikshit, M.A., B.Sc.). But when there is evenly balanced competition—as many landlords offering land as there are tenants wanting it, the standard set up by such competition is far more likely to be just than that set up by estimation of items in the accounts; and when critics decry such rents as "too high," rack rents, and demand fair rents it will be found in most cases that they really mean 'unfair' rents giving undue rewards for inadequate work to a favoured or 'sheltered' class of privileged tenantry to the loss of the rest of the nation.

76. We must study the competitive rents.

My cook is anxious that I should not know too much about the price of potatoes. If I suggest to him that I have seen excellent potatoes at 4 as. a ser he will tell me they are tough or bitter and that the very best potatoes (for which he charges me 6 as. a ser) can only be got from a friend of his, and so on—It is the same with rent: asked by a revenue officer, all landlords find it hard to fix the rental value of their land; at any rate they are sure it is 'not much'; while, if a tenant offers, they will very promptly tell him what they consider it is worth. In fact nothing could be more dangerous than to allow ourselves to be 'headed off' the true basis of rental value by deeply interested suggestions that it is hard to ascertain or not ascertainable at all. The area that is rented is growing annually and will continue to grow so long as l. r. leaves untaxed half or more than half the gross rental value.

77. The new statistical compilation, V. F. VII-XII.

A new form has lately been introduced in the Bombay Land Records which will afford a means of compiling the facts never before attempted. It sets out for every gunter of land in every village under the Record of Rights exactly how it is used and tilled, and *for what rent;* and each mode is then totalled as cultivated by the owner, or by hired labour; rented on cash, on fixed produce, or on crop share, or by any mixed or miscellaneous mode not provided in these categories.

I have not space for full details of all the modes in which the land is rented (for cash for fixed produce and for crop-share &c.). Moreover the returns that have come in are not yet numerous; particularly the Konkan where tenancy is almost universal is represented by only a few small villages, while Bijapur where vast areas are sparsely peopled swamps the averages. Still here are the figures :—

District	No. of villages	Area cultivated by owners	Total occupied area
Kaira	7	3448- 1	8072-27
P Mahâls	5	1341-21	3287-25
Surat	11	10293-35	15785-28
Broach	6	4312- 8	10012-13
Ahmedábad	1	320-14	846-36
DECCAN.			
Násik	6	3264-31	5384-30
Sholápur	1	3002-14	5978-38
E. Khandesh	15	1965- 7	6890-20
W. Khandesh	1	1668-14	2118-29
Bijápur	4	21433- 9	27230-36
Belgaum	2	3416-39	7908-11
Dhárwár	13	15818-19	30409-16½
Poona	1	841- 1	3402- 7
Nagar	1	537-23	2290- 5
KONKAN.			
Kolába	6	611-23½	1857-29½
Ratngáiri	1	373- 4¾	645-16¾
Thána & B.S.D.	2	167- 4¾	264-35
Kánara	1	117-23½	691-39
Total	84	72933-12½	133079- 1¾

78. Some of its results.

Thus 54.8% of the total occupied area is cultivated by its owners in the Khalsa tracts (i.e., excluding Inam Khoti Talukdári villages and Sind; all of which are almost exclusively cultivated by tenants). When the figures for the whole Presidency are available the area cultivated by its owners will be found to be considerably less than half. These villages are not selected to show a large rented area but are fair samples of the Talukas and districts they are in. When we know actual landlords' rents for half the area we know far more about the true rental value than we shall ever be able to learn about the 'profits of agriculture', or I should say (since these are esentially the same) we shall know the true rent better by this direct method than we shall ever learn it by the indirect method of reckoning up costs and wages and all the other items in a farmer's accounts.

79. The lesson of Ireland.

Any rent is too high for those who do not want to work, was a truth amply brought home by the Land Acts (1881) in Ireland. A Court for fixing "fair rent" was set up (here 'fair' mainly meant 'not based on tenants' improvements'). Of the 80187 suits that were lodged not 5000 succeeded. So too one often hears much nonsense about customary rents. Rents cannot stand still: and the very idea that rents are regulated by 'custom' contains its own contradiction, because they must have been fixed by competition in the beginning: and therefore will be fixed in the same way again.

80. Rent is not part of the costs.

This example is drawn from an amendment proposed by Mr. P. R. Chikodi M.L.C. to the L. R. Bill last Session. It runs thus; From the gross produce deduct all costs of labour, manure, seed, implements, cattle insurance and so on then also deduct the RENTAL VALUE since every landholder is entitled to enjoy, with the wages of his work the r. v. of his land (or if we are considering a tenant, then he has to pay this rent in fact). What is left is his 'profit' and l. r. is only justly leviable on this profit. Where is the blunder?

How can you set down the r. v. unless first you have ascertained all the other items in the accounts? After deducting l. r. from the true or gross rent, the untaxed balance is the letting value or landlord's rent. You cannot find out what is the untaxed rent till you know the l. r. and you are not to be allowed to fix the l. r. until the untaxed rent is first set aside. You have got into a circle, and *there is no escape.* Moreover if l. r. is what is left after deducting the rent payable to L we get to the *reductio ad absurdum* that when rents get infinitely great, the State is entitled to no share of them!

81. Landlord versus State.

The solution is that from the gross produce you must first set aside the proper expenses. You cannot do that till you have settled (or left the agriculturist in competition to settle) the just recompense of agricultural (and all other) labour. What is left is the gross true rent and this is the fund or pool for which State and landlord are allowed to contend; what one gets the other loses. The community at large is benefitted in proportion as the State wins.

CHAPTER IV.

Growth of the British System.

82. The danger of starving the State.

It is therefore of the greatest importance, indeed there is no element in the State machinery so important, so far reaching in its effects on the welfare of the people, as the l. r. system. Starve the State of its just l. r. and the ability of the community to deal with enemies, with disease, with common needs is also starved. It has been conclusively proved by W. H. Moreland that it was not the Maratha assaults, not internal rebellions or external foes, that brought down the Moghal empire. So too Bijapur would probably never have been conquered by Aurangzeb or by Shiváji if the l. r. had not failed and the Treasury been empty. It was simply the break down of a bad l. r. system (for an idea of the anarchy of that period see Selection VI of 1852 p. 10) and none suffered more acutely in this break down than the humble people, the rural peasantry, the very folk whom it is popular to suppose will benefit by "liberal and lenient" l. r. collection. It is not and could not ever be true.

"It is desirable we should know, when people talk of restoring to the rayats their "ancient customary rights" and the "ancient land law" of their country, exactly to what conditions we should redeliver them." (Field p. 450).

83. The theory of State ownership.

At the outset I should say something on the subject of ownership of the land or soil. We have seen that the right of the State to l. r. *in no way* rests on any notion of ownership. Perhaps heat is generated in such discussions because of a feeling that the Government of India and the people of India have opposed interests. But once we recognise the Government as the agent and trustee for the people we shall get a truer perspective.

There are some who think that if they could prove that the State did not own the lands then the State has no right to levy l. r. on them (Q. E. D.) : and where politically a Government relies heavily on l. r. the loss of the title to l. r., and of the l. r. too, brings about its fall as in the case of the Moghal (Q. E. F.). But let us look at facts. The first article of the American Constitution 1787 says that all land in the U. S. A. belongs to the sovereign people and is held (as in the case of all land in England since 1660) from the State on "free and common socage", a tenure closely resembling occupancy under the L.R. code. That is a cardinal principle of every self-governing Commonwealth. Manu says plainly that all land is the King's, and the Shariat of the Moslems says that all land is the Sultán's; and Bernier (who travelled in India on commercial business in the palmy days of the Grand Moghal before Maráthas or English had touched their majesty, or such a thing as European domination in India was even dreamt of) says that in "Hindoostan every acre of land is considered the property of the King" (p. 354, Travels in Hindoostan, Constable 1891 Edn.)

84. Babylon, Egypt, Ancient India and Turkey.

The Babylonian Code of Khammurabi (on which Manu is largely based) regards lands as the State property : and recognises the power of the State to grant it as Watan (Historians' History of the World, 1 503-507).

In Chanakya's 'Kautilya Artháshástra' (Science of Political Economy) about 320 B.C., just when Alexander of Macedon was stirring things up a bit, he observes that nearly all land is the property of the State and is let on half-crop share. (No doubt the exceptions referred to religious grants), (R. S. Vaidyanáth Aiyar).

In Egypt four-fifths of the land is direct State property (following the Shariat law) and one-fifth is held from the State on privileged tenure precisely parallel to the ordinary Bombay occupancy rights. The 'Institutes of Timur' lay down that all land belongs to the State and it is very doubtful whether the *idea* of private ownership of land existed in Asia till recent times. It is usually not mentioned in the old Shástras on inheritance, whereas to-day it would take the first place.

85. The actual practice.

If it was not, then what right had the Maráthas after a successful fight with the Moghal to demand and receive the one fourth part of the assessed Moghal revenue? What did Aurangzeb mean when he *gave* to Shiváji the four valleys of the Mávals? But let us get nearer home. The Maráthas swept down into Gujarát and the Gaikwád cut out a block of territory. Does he accept the view that he does not own the land in the sense that he can give it to whom he likes and tax it as he likes? If the Marátha Government did not own the land then how did they grant Jahgir after Jahgir to Poona Brahmans down in the Karnátak where they do not even know the language? How is it that all the small succession States cut out of the collapsing dominions of the Peshwa act to-day as owners of immense stretches of land? I saw lately advertised in newspapers for SALE vast areas of land by a certain Marátha State. If the Maráthas owned the land—I mean the Peshwas as head of that State—then it is certain that whatever rights they had passed by the surest of all titles on earth, that of conquest and treaty, to the British Government. But if they did not own the land then will you call on all their Inámdárs and Jáhgirdárs to vacate, and all their Rájas and Chiefs to disgorge and give up the lands they own as 'Sheri'? It is certain that these chiefs &c. did not inherit that land from any previous holders. They acquired it by conquest and under the aegis of the actual public law of India—so far as there be any—that all land belongs to the ruler and the State except insofar as they grant or concede titles over it. We succeeded to this right and likewise recognised (this was the novelty) the titles created by our predecessors, out of pure generosity. But as an argument against the levy of l. r. by the State this plank of 'ownership' is rotten and if you take your stand on it you will fall into a dangerous set of conclusions not to the liking of many who thoughtlessly use it. It can be proved judicially by written records that of the land to-day cultivated fully three fourths has been granted by the British Government since 1818 out of waste. Not only out of waste alone but also out of lands resigned, forfeited and so on. Yet the right of Government to dispose of such land under the legal conditions it has itself laid down is indisputable.

86. Pre-British systems from Manu.

This is not the place to do more than touch lightly the history of pre-British l. r. systems: but a little must be said. First we have Manu who tells us the Rája has need of l. r. to maintain his armies and administration and he is therefore entitled either to "one-sixth or one-eighth or one-twelfth" of the gross produce. No idea even of the nature of rent? and yet there was some glimmer, else why the alternative rates? We are not told: it is very unlikely that Manu knew much about the economics of land and it is very certain that his Code which largely reproduces the older code of Khammurabi was not enforced like a modern Act but was merely a compilation of what he thought the rules ought to be. Rajas observed them if they thought fit. The Roman economist Cato given us similar tables of the varying proportions of produce paid by the different Roman "Coloniae" (quite different from our 'colonies'). Such a method of collection proportional to the gross produce as we shall show (para 207) presses very hard on the marginal land; therefore in obedience (though probably unconscious obedience) to the law of rent the lower rates were for land near the margin, though this has to be inferred; it is not expressed. Still the "share of produce" destroys all hope of land improvement either by land owner or tenant, though less severely when the share is not large.

So too we find for at least 2½ centuries (say from about 1550 or earlier) in the Karnatak and S. India the rate was based on "seed" used. This was a partial but quite inexact attempt to adjust demand to quality of soil.

87. Babar and Akbar.

The next peep we get is in the days before the Moghal when the crop share was apparently universal (in C. and N.E. India) but had become so severe that one-half was demanded from all lands. Of course this rapidly drove the 'marginal' lands out of use and their population out of existence (cultivation shrinking like an ice floe in the Gulf Stream) and India was so found by Babar who notes in his diaries that he was greatly puzzled by the huge areas of excellent land not only untilled but uninhabited

which he found in what are now the most densely populated parts of India (U. P.). He traced the cause, as he tells us, to a bad system of land revenue. Small wonder that his grandson took the matter up and set Todar Mal (who had been the Settlement Commissioner of the Afghan King Sher Shah Sur whose dynasty had temporarily ousted the Moghals) to work. He modified the evil half-share system to 1/3rd and also (this is important) pitched a different standard for different *classes* of land. Not classes as we now reckon them (there was no classification resembling the British at any previous time in India) but broad general divisions such as dry-crop, irrigated, and double cropped, cropped once a year, once in two years, or once in three years and so on (full details are in Lt. Melvill's reports on Prantij Modasa and Viramgam (1826). But the important change was to levy a fixed rate in money for a ten-year period; so that holders were for the first time given an incentive to improve their lands and were free in several directions as to crops and fallows. Small though it was, this reform resounded through India for two centuries as a magnificent achievement. But Akbar's system collapsed through the maladministration of after years and with it finally brought down his whole Empire.

88. Malik Ambar and the Peshwas.

I pass over Malik Ambar and the Marathas, save for noticing that the Abyssinian seems (vide Poona Gazetteer; Campbell) to have brought in one idea new to India (but found in Khammurabi) that land must be assessed to pay its l. r. on a reasonable average and must therefore pay *even when fallow*: if not, all the inferior land is left fallow and pays nothing and produces nothing and universal idleness at a very low level of population is encouraged, as was conspicious in the crop-share days. If the rayat could get so much food off a certain area that his half share would feed him, then there was no reason for him to till another square yard simply to increase the State revenue. And he did not: even when Aurangzeb ordered his governors to flog all rayats who left their land untilled, it was too large an order to carry out. But out of these efforts and trials economic truths were working to the surface. Shivaji whose Settlement Commissioner was Dádáji Khondadeva and the Maráthas and the

Peshwai rule did not evolve a single fresh idea: but rather they allowed Malik Ambar's sound policy (of taxing the fallow) to lapse, with disastrous consequences. Mr. Commissioner Townshend reports (1836) that because the Peshwas did not collect assessment on land held as Miras but uncultivated (herein departing from the principles of Malik Ambar) and did not encourage its transfer to new holders "much mirás land is left in the most neglected condition; and for all the benefit the community derived from it, might have been as well sunk under the sea". (Selection 532 Bombay Government. Records p. 37). The same state can be observed to-day in almost any village: almost everywhere inam lands are more neglected than fully assessed land.

89. Farming the revenue.

But the Peshwas collected on the old theories and further resorted to the terrible system of "farming". Now the full collection of a justly assessed land revenue demand is the best possible: but by "farming", the State got less and the rayats paid more; and every effort of the official machine was directed to getting as much more than the true rent as possible. This is not the place to detail the authorities but there is ample evidence that at the time the Peshwas fell the peasantry was at a very low level of misery and was in some cases almost exterminated (especially the Karnátak). The immemorial methods (supported fully by the extant rakbas of Todar Mal's settlements found in the Persian Daftar-i-Diwáni at Ahmedábád) is stated by those who were almost contemporary to have been thus :

90. Todar Mal's Afghan system.

Annually the Kulkarni prepared (lazy ones copied the last year's) an Ahwál patrak or "conditions-statement" showing details of population, cattle, houses, and total area: then cultivated bighas, waste, roads, tanks, hills, &c. Then the cultivated land was divided into Rent-free, ákári, mirás, gatkul, or eksáli—(very nearly the same as our modern Tharavband, V. F.V.).

Then, he gave his estimate of the outturn of all crops (our annevári see para 198) and this was sent to the táluka and a demand statement was received back. (P. 228 of the Joint Report, Selection from Records 532).

91. Guess work and corruption.

Note that no field's area or quality was known at all at head-quarters. There was no fixed assessment on each *field* or on the village: all depended upon the Taluka officer's degree of acceptance of the Kulkarni's annevári, and his idea of how much of the total crop of the Ákári &c. he should take and the rate of price conversion. How a village would have fared if the Taluka officer was paid a commission on the size of his collections, or had actually purchased the revenue in farm and shared his loot with the village officers, can be imagined. The principal method of evasion was to understate the area. In recorded cases 25 reputed (Kulkarni's) bighas proved to be 300 in a true survey. It can also be inferred what small inducement was there to extend cultivation or to effect costly improvements in the land. Thus settlements did not exist; the demand fluctuated every year and the basis of assessment was the estimated gross produce.

92. Early instructions.

The Court of Directors (Field p. 467) laid down the guiding principles in their letter of Instructions: It was to be the Company's Civil servants' first care to stand between the rayat and oppression. Everything to be proposed was to be conducive to the improvement of the lands, the contentment of the rayats, the extension and relief of trade, the increase and encouragement of any useful manufacture or production of the soil.

So too when Principal Gadgil quotes (p. 1 of his pamphlet) from some writer equally as ill-informed as himself :—

"The Bombay Land Revenue System owes its immediate "origin to practices inherited from the most decadent period of "Native Rule." (Swarajists please note: it is the Chitpavan Peshwai to which he refers).

"Land Revenue has been collected since time immemorial, and its basis cannot and should not be changed by legislation now."

(Then was the Joint Parliamentary Committee mad? and Mr. R. G. Pradhan equally mad?)

"What legislation can at most do is to express more clearly in words the basis that has always been taken for granted."

This passage and one or two others (first sentence of his Chapter II on p. 5) clearly show that he does not know the exact meaning of the word "basis" and has also failed to understand the Joint Report.

93. Experiments: Ricardo's inspiration.

The first experimental *settlements* were made by Mr. Pringle (afterwards Commissioner in Sind 1848) who attempted through an inadequate and untrustworthy staff to calculate "profits" on each holding. The need of a new system was obvious and the British suddenly and unexpectedly succeeding to the task cannot be blamed for taking time to experiment and think it out. It took about ten years. The man—Goldsmid—who did it came from Haileybury and was a *pupil* of the great economist Ricardo whose theory of rent, first published in 1820, with little modification is still accepted as unassailably true. It was this he and his colleagues, Wingate and Davidson, applied.

94. The other possible bases.

Other possible bases of land revenue might be height above sealevel or distance from nearest railway; or again (a basis once popular and used largely in India) the religion or caste of the holder (What a fine living a Shrotrya could have made under the Mánavadharmashástra, as a benámi land holder!) But though many a Bráhman must still sigh for the good old (pre-British) days when the worst land at the highest revenue could be allotted by the village officers to the Máhars and other depressed classes, just to keep them sufficiently depressed, and

lighten his own share of the village demand, I doubt if those days can safely be revived after a century of experience of even-handed justice, and the *net produce basis.*

95. The Fundamental change to net profits or R. V. basis.

In previous systems there was no attempt to make the land revenue a fixed *proportion of the rental value*: it was based on the gross produce, which is fundamentally different. Take a simple case. Two fields have exactly equal produce but one is ten miles distant from market and town, the other one mile. The *rent* of the former is far less than of the latter. Yet under all pre-British systems they paid the same land revenue. Our first task was to classify all land in proportion to the amount of produce it would yield *for an equal dose or quantity of labour.* That was the *fundamental difference between our system and all that went before.*

There was not and never had been any soil classification before. Therefore it is impossible that revenue had ever been related to *net* produce.

96. Who says no change?

Yet a recent article in the *Times of India* actually said :—

"If there is one thing which can be proved to the hilt it is that the present system is simply the same in essence as that which the British took over from the Indian rulers who preceded them, and that the only modification has been in the direction of a large reduction in the rates prevalent in the past."

I cannot congratulate the writer. The distance between a tax on gross produce and a tax on *nett* produce is as great as from the North to the South Pole. Lord W. Bentinck in his minute as Governor General on 26th September 1832 formulated the most conclusive arguments against a land revenue proportionate to gross produce, and thus was largely instrumental in helping this radical and fundamental change.

Let us get a more exact measure of the difference in rupees and annas. The gross value of the crops grown in Bombay Presidency excluding Sind is calculated by the Director of Agriculture for the purpose of commercial statistics (not connected with Settlements) at 215 crores in a good year and 140 in a very bad year; large areas of the Presidency being almost incapable of being affected even in a famine year; and prices rise in a year of scarcity, so that the value of a rent in kind is higher per unit of produce in such a year.—A fair average value is 180 crores.

Now upon that value Manu would have collected 30 or 22½ or 15 crores according as he had applied the 1/6th or 1/8th or 1/12th standard. Akbar would have had 60 crores—Malik Ambar whose standard was 2/5ths would have collected 72 crores. Shivaji raised this to 96 crores by the expedient of keeping the standard assessment as it had been fixed by Malik Ambar but raising the estimate of area (see para 101) by 33 per cent. His Konkan Settlement officer Annáji Dattu prepared the way for Sambháji to farm out all the Konkan (1689) for a revenue calculated between 1/2 and 2/3rds of the gross produce. But the Konkan promptly went out of the Maratha Empire for the next 66 years and was not recovered from the Habshis till 1756 when Gangádhar Pant Bhánu made a new Survey and Settlement and restored the Khots. Now it is very true that no such revenue was ever realised by these rulers: why not? Because under their system the population needed to cultivate the immense area now under crops could not and did not ever come in existence (Vide para 184).

But what is the British revenue on this gross produce? Levied (so ignorant critics tell us) exactly on the same principles simply by copying "the worst practices of Native rule"? We have never levied more than 4½ crores (Sind excluded). The 180 crores average produce is the produce of Inam as well as fully assessed land. The average value of the crops on each cropped acre is put by Dr. H. H. Mann at Rs. 40 (1912 value) and 64 (present value). Let us be content with 60 since prices have fallen since he made his calculation. The average assessment

per cropped acre in Bombay is Rs. 2-5-0 that is 1/22nd of the value of the crop. Allowing for all the inam land the share of total crop taken all over the Presidency is less than 3 per cent. That is a full and exact, a *provable,* measure of the difference between a tax on gross produce and a tax on the unearned nett produce or rental value.

97. Classification.

But land differs in rental value not only in virtue of the quality of the soil but in the climate and its distance and so on. Taking all that into account land was first all surveyed and mapped; then classed and grouped. The method of classing, very cursorily to be described, was to take 16 annas as the value of the best soil that existed in a tract (say Central Deccan). Then any soil could be classed as being worth so many annas, from 16 down to 1, of that standard. If a sample of the 16 annas soil was found and it was also irrigable from a well, it might even be valued at a few annas above the standard 16 annas. If it had any faults (such as clay, sand, shallow depth, sloping surface, &c.) all these were deducted. After everything had been considered a field or survey number was recorded as being worth so many "bhág-annas" (share-annas, to distinguish from copper annas).

98. All land made equally desirable.

The main object of all the classification (and its result) is claimed by the Joint Report of 1840 to have been: "to make no one field more desirable than another except for such circumstances as distance from his home, position with reference to other fields of the same holder." In fact just as a good handicapper so weights all the horses in the race that it is very hard to know which to back, and it may well be that all of them will dead-heat, if they all run to form, so too with the land. If the system had been such as to throw all the demand on to the better (or worse) qualities, either way the community would have suffered in not getting the land properly used, up to its full

capacity: whereas the Peshwai system had annihilated the value of land, the authors of the Report state proudly that "all lands are now (1840) rapidly acquiring a value and *in a few years* will become saleable!!"

99. Teaching the rayat to love his land.

The Court of Directors (grown wiser since 1793?) has laid down as fundamental that the Bombay system must "not create different rates of profit to interfere with the most advantageous distribution of agricultural capital and labour: and not foster slovenly and unremunerative modes of husbandry by diverting labor to the lower assessed and inferior soils."

"To end the hand to mouth system so long prevalent......... and excite in the rayats feelings of independence and *attach them to the soil.*" One of the most widespread errors about Indian cultivators is that they are deeply attached to their land. History totally disproves it. The Peshwas and the early British Government had great difficulty in getting any rayats to accept the "right of occupancy" of land. They were always wanting to move off to new tracts. This was strongly marked in Gujarát, and is still to-day characteristic of the aboriginal tribes (Káliparaj).

100. The essential need of free trade in land; restrictions on alienation condemned.

The Joint Report insists wisely on the supreme need of free trade in land. To say to a bad lazy or unlucky cultivator "You have made very poor use of this land; it has not even earned its rent or land revenue and has not therefore produced corn to help feed the people, as was expected of you; yet because you are (deservedly) poor and of a caste said to be agricultural, you must not sell the land or mortgage it but must continue to misuse it" is a crime against the community which Governments are led to commit by the specious argument that what makes the holder poor and indebted is the fact that he has facility for borrowing and selling. Also that it is not desirable to let land

pass into the hands of non-agriculturists and so on. But all this is false: it is the supreme interest of all the community that the best use be made of every acre. What would the land say if it could speak? Ask the pony of a bad drunken and lazy tonga driver who having gone bankrupt wants to sell his pony and take to some other work: but we step in and say, "No. it is the law that no pony may pass from the hands of a tongawala, however ruined." What? Must the pony starve and be refused even the chance of *working for its own living* because the driver is unfit to manage it? And shall the public have a bad tonga service or no service because of this special law to protect bad drivers? Yet that is the essence of all restricted tenure and land alienation Acts. The truth lies in para 13 to 16 of Commr. Townshend's review of the Joint Report.

101. Survey and Land Records.

At the same time land had to be all measured as it is not easy to tax it justly if there is no measurement. Yet, though we are told of the 'Illahi gaj' and other methods of measurement yet this is certain: there were no maps and no knowledge of land survey when we started; for the simple reason that we had to teach it from the beginning and no such thing as "surveyors formerly in the Peshwa service" or any persons of that sort existed. (See also Cruickshank's report on Daskroi, 1827).

102. Meaning of the Maximum rate.

But mapping and classing is only half way. Next we want to know what rent the best land would bear and (by proportion from the classing) what rent each of the other grades? IF THERE HAD BEEN ANY LAND RENTED the task would have been easy—but remembering the State had been taking all the rent (and more if the 'farmer' could) there were of course no rents. What assumption then did our first settlements make? That the total land revenue recorded to have been collected from a tract (group) should be compared with the condition of the tract. Was it terribly impoverished and abandoned or not so bad? Or was it seemingly comfortable? If evidently overassessed then a big reduction was made and it was then assumed let

us suppose that upon all the evidence a certain tract "could afford to pay" Rs. 100,000. Then the Settlement Officer took the aggregate area classed at 16 annas, the aggregate area at 15 annas, and so on till the whole area was accounted for. Then he said, "At a rate for the best (16 annas) soil of one rupee and in proportion for all poorer soils, all this land will yield about Rs. 30,000. Therefore to get Rs. 100,000 the maximum rate must be 3⅓ rupees. The Joint Report (para 70) is chiefly defective in not making this matter clear. The procedure has to be discovered from detailed papers. The "Darwári" was the most vital record. It gave all the 16, 15, 14 &c. anna lands in ledger form, and from it the maximum rate was calculated. This rate was settled for 30 years, since there had always been great alarm and popular anxiety when a revision of demand was talked of (nowadays the people will hardly trouble to come to meet the Settlement Officer). It was thought inadvisable to upset their budgets and their minds more often.

103. Intricacies.

If land is so situated that it collects water in the subsoil it has a special advantage for making wells over other land. The principles of the Settlement require that the capacity be taxed to stimulate its use but that the actual well be not taxed (until amortised). Without a highly developed system of rental valuations it was impossible to appraise these qualities except by rule of thumb. This is a strong ground for demanding a complete re-classification of all lands as soon as we have got such a safe guide. The Survey and Settlement Manual compiled by Mr. R. G. Gordon I.C.S., (1914) contains a mass of technical detail on these assessments of old wells and new wells, and of subsoil water and of position class and the 'position class warkas' in the Konkan (land capable of conversion into rice with very little trouble); but this essay is not a technical treatise and cannot reproduce them. When wrong principles are followed the result must be evil. The two mistakes made were that improvements some of which were amortised within a few years were exempted in perpetuity and valuations according to the same anna-scale used for the soil were put upon 'capacities' of a totally different

type from soil gradations i.e., by mere rule-of-thumb guess work without any assurance that they would come within hundreds per cent of the truth, as for instance when it was held that the facility for converting land into rice could by adequately valued by adding one soil classification anna to its soil-value! 20 annas would have been still short of the truth.

104. The abracadabra of the Muftis.

If land classed at 16 soil annas should be in any tract assessed at Rs. 4 per acre then land at 2 annas should pay ½ Re. But in that tract soil valued at 2 as. lies *outside the margin* of cultivation and has *no* rental value. Likewise it was found in some districts that after all the classification was done it seemed the poorer soil not been rated quite low enough (or that the better soils had not been rated high enough). These adjustments were made not by altering the valuation but by means of a Jantri or calculator which gave the assessments corresponding to each soil-value degree not strictly according to rule-of-three, but in a sort of curved scale which did justice to the grades of soil and tapered out to zero at the approximate margin of cultivation (say 2 annas) instead of at the zero of the scale.

105. The mysterious jantris.

All these abracadabra of the system were kept rather obscure by departmental zealots and came to be regarded as esoteric secrets which no layman might profane: Vedas prohibited to the Sudra. Hence the sarcastic verses, at which we may laugh but not take them seriously (for the facts are not so bad):—

Augur Auguri.

Smile not, my brother, should we chance to meet
Like Roman augurs in a Roman Street,
    Lest we to unbelieving Cicero
Disclose our glittering idol's earthen feet

Are we not priests of this our mystery,
Which more mysterious grows as days roll by?
    The dim contriver of this Labyrinth
Knows not its clue: then how should'st Thou, or I?

Thy sub-soil units nicely calculate,
Thou that art wise; and leave the rest to Fate.
Nor rack thy brains his reckonings to plumb
Who gaily juggles with the unit rate.

Though areas, rents, soils, units, all be wrong,
Thy Settlements shall stagger slow along:
Poised on its apex, see the Pyramid
Threaten to totter: shall it threaten long?

106. The 33% and the 30 years errors.

The most serious errors however were made later. In settlements made after the American Civil War the rates were too high as prices and rental values had been inflated by the war, and it was not realised *how soon they would fall.* Between 1817 (Battle of Kirkee) and 1832 prices fell to half, or by 50%. On a rising market a fixed 30 years' period works favourably to the landholder, but on a falling market it is a deadly two-edged sword. Many of the first Revision Settlements (30 years after the original settlement) had to be broken and the rates reduced.

The 30 years' settlement is, as all must know, what may be styled a 'one way street'. The State cannot under the law increase its demand: but is quite free to reduce it at any time and has very often done so; notably for the settlements discussed in para. 108 which were all broken. That Principal Gadgil should write (p. 30). "A burden once levied at a Revision Settlement cannot be lightened for 30 years......" is very inexcusable when from his study window in Surat he looks over a stretch of country in which for the last 25 years it has been so lightened; and right away for nearly every mile of 200 miles from Surat to Modása he can travel through fields enjoying a similar lightening.

But from the troubles of 1865 onwards culminating in riots and disorder a wrong inference was drawn. It was supposed that the error had arisen because the rates were *raised* too high.

But that was not the trouble. When first fixed, the revision rates were RIGHT; it was the thirty year period that was wrong The brains that had devised the system were no longer available and it was decided that the remedy was to limit the percentage by which rates might be enhanced at each revision. I have no space now to go into the details of this error or why our predecessors were led into it. Suppose we enact that the enhancement at any revision shall not exceed 33.3 per cent. and the revisions are made every 30 years. Now suppose also that at first the l. r. is intended to take all the rent; then rent (or land value) doubles in the next 30 years but the l. r. is only raised from 100 to 133 and the same happens in the next 30 years; then the position is we cannot now get more than 4/9ths of the rent as l. r. The *limit* is wrong and cannot work right. It means that when land values are falling and the rayats doing very badly there is *no limit to the aggravation* of their burdens—for an increase of even one per cent might be most unjust. But when they are doing better than their wildest hopes, then only this limit comes in to debar the general taxpayers, the community, from getting even so large a share as they had before, l. r. grows less and less as land values grow higher and the burden and cost of providing the land holder with roads, education and a thousand of his needs, including military and police protection, is pushed on to the shoulders of the other workers, the landless classes. (Read the history of the Excise legislation in the reign of Charles II).

What was the right course? To have limited not the percentage of increase but the proportion of rental value taken. Then no holder could have had the least fear that he would be called on to pay more than his true rent; he would have had no cause for nervousness however often you revised his rates. The revenue of the State would have grown automatically in parallel with its needs.

107. Pringle's failure.

Indeed it seems to me that what was wrong even with Pringle's settlements was not the inaccuracies (bad as they were) and excessive rates so much as that they were for too long

a period. They were made just after the fall of the Peshwai. Large quantities of money, (the loot of half India) had been brought to Poona and scattered by the armies, and prices were very high. The rates for food grains from 1818 to 1836 fell to only *half* what they had been in 1800 to 1818 (a great factor was the rapid increase of cultivation). Hence the rayat suffered when on a fixed cash assessment prices fell. He was caught by the back of the two edged sword. If Pringle's rates had been fixed for 5 or even 10 years, far less harm would have ensued. The need of reduction would have been discovered. No one denies they worked out very harshly; and resulted in cruel treatment of the rayats by a not yet reorganised subordinate staff.

108. The American Civil War.

So too after the American Civil War 1862-3 the same phenomenon was repeated. High rates were justly fixed on high prices and rents; but it was forgotten they might fall. They did fall, and then instead of diagnosing the true cause—the excessive period of fixity—the classification was blamed and the degree of enhancement was blamed. But it was forgotten the rates were right when first imposed.

109. Effects of the Great War 1914-18.

We are witnessing the *same phenomenon* after the Great War 1914-18. Prices and rents soared high, and are now falling. The rates fixed from 1918 to 1928 have all been just and right on the prices and rents at that time. But they will soon be too high (or higher than intended) because prices seem to be steadily falling; a few more good seasons might ruin the land-holders! But let not the blame be put on wrong shoulders. It is not the fault of the way the rates have been fixed: the fault is in the absurd *period for which they have been fixed.* The Settlement Officers and the Settlement Commissioner in nearly every settlement since 1918 have urged in every variety of language they could command that the period was too long. But every rate has been sanctioned and fixed, against that advice, for 30 years.

110. What the Joint report said (1840).

"Owing to the racking system prevalent in the latter years of the Peshwa's Government, and over-assessment throughout our territories sales of land have become as little known in the Deccan as in Madras. Irrigated land, however (which is of inconsiderable extent in the Deccan) has generally retained some small marketable value, and a large proportion of this land is now under mortgage.

The new settlements have nowhere been in operation for a sufficient period to admit of any certain or general conclusions being drawn regarding their effect on the value of land; but the competition of different cultivators for portions of waste would seem to indicate that all descriptions of land are rapidly acquiring a value; and we have little doubt but that in the course of a few years they will become saleable with the same facility as other descriptions of property.

"From the difficulty [when it was nowhere actually let] of ascertaining the true rent of different descriptions of land, we have not assumed any theoretical proportion of the rental for the standard of our assessment; but we fully coincide in the justice of the principle of *limiting the Government demand to a portion of the true rent* and believe that this principle, if capable [as it is to-day] of being carried into practice, would prove an invaluable blessing to the agricultural classes of India, and introduce a new era in their history. And we further ascribe to the fact of a portion of the rent having been seldom, if ever, left [by levies based on gross produce] to the proprietor or cultivator in India, the characteristic wretchedness of its agricultural population, rather than to any peculiarities marking its different systems of revenue management."

(Report by Lieut. Wingate and Mr. Goldsmid 17th October 1840: Selection 532 p. 54-55).

Yet, says Principal Gadgil (p. 6).

"In neither the early reports on Land Revenue Assessment nor....................do we find rental value ever being mentioned as the basis." ! !

111. The First Revisions neglected the true basis

Having had no competitive rents to use for guidance at the beginning, even in the first revisions (when these mistakes of principle were made) the settlement officers did not find or seek enough rents. But to-day it is far otherwise. I know some say that there are few genuine rents; that they are inflated by blind competition of tenants or by the greedy exactions of money lending landlords; and that many rents represent only interest on money lent and that they are not realised and so on. Also it is said that the value of land cannot be safely inferred from these rents. Let us suppose all this be true; then are we to draw the conclusion they would have us draw—that rents are useless as a basis for fixing l. r.? Is not the inference rather that we must clean up the ground and see that our record and examination of rents is better and we must find more trustworthy ways of getting the truth?

112. Which was rents and sales.

There are plenty of ways. If any landholder wants either to sell or mortgage his land how does the buyer or the lender fix the value? Can the ingenuity of man find any other answer than that it is (and must be) the capitalised value of the estimated future untaxed rents, using in that capitalisation such rate of interest as is prevalent for similar risks? There is no other way; and the fact that land *is sold* and mortgaged every day—in fact almost every acre of land in Bombay Presidency has been sold or mortgaged at least once since British rule began—then it must be admitted that there are means of fixing rents good enough to satisfy all buyers and moneylenders, who are not the stupidest and most reckless class. Just as of Government Bonds and loans the market price every day measures the value at prevailing rates of interest of the annual income or annuity secured by the bond, so does the price of land.

You can never really know what the landlord gets for his rent especially when he takes a crop share. Many cash rents even are confused by borrowing or lending. But when the land leased on a crop share is sold to some one other than a creditor THEN you get to know exactly, and such sales stand very high among the data for settlement.

113. And so fell into serious troubles.

'No settlement however exactly just when made can remain just for so long as 30 years. It must either grow too heavy or too light, and so do injustice to the rayat or to the whole mass of the people. It was therefore a serious error to fix a 30 years' settlement period; and a worse error to fix a limit to enhancements not in the form of a limit on the fraction or percentage of rent but on the *absolute amount* of the demand. Two other errors less serious in magnitude but equally bad in principle were made. It was represented that one of the causes of the too high revisions was that the land had been reclassed and its classification value raised. This was almost without foundation because (if the nature of classification and its relation to the fixing of maximum rates (para 102) is rightly apprehended) then to raise the class of some land involves a general reduction of the rate on *all* land; but, yielding to landlords' clamour Government agreed that there should be *no reclassification* as a general rule. The result is that many holders have had the intrinsic value of their land doubled nay quintupled by the natural action of silt and alluvion but can now be charged only the rates for the worst soil, *and vice versa.* But not quite: because if any man can show his soil has deteriorated he is granted reduction, while if the Government can show it has improved they can get no more: like a lobster basket, it is easy to get in but impossible to get out.

114. The mistakes as to improvements and classifications.

Of an allied nature is the provision against taxing improvements. These we have discussed in para 51 and 52 and found that exemption up to a maximum of 35 years was just and in the interests of the community, but beyond that time it was not so. The founders of our system never intended otherwise (Rogers 1-281) See also Vibart's Report in Selection VI-1852, p. 4-5. In deference to the same clamour, the Bombay law has laid down that no improvement shall be taxed in saecula saeculorum. The results are flagrant injustice. All the rice land in the Konkan is artificial, it must have been first adapted for rice cultivation by the labor of man. The first survey and classification

under British methods was done (say) in 1850. Now any man who made a rice field up to 1849 pays for ever full rates. If he made it in 1851 he pays half or much less than half and under the influence of other rules the difference goes on *widening.* In some areas the quantity of rice newly made greatly exceeds the old rice : over the whole Konkan it is perhaps roughly half. Would you like to undertake the task of proving to the owner of the old rice that he is justly made to pay 3 times what his neighbour pays for exactly similar land adapted for rice growing since 1851, or over 75 years ago, before either of them were born?

We see (para 120) that Madras was not allowed to fix her classification in perpetuity; and in fact Bombay is almost alone in India for the perpetual exemption of improvements. In other provinces these conversions to irrigation and other improvements are let off for one (30 year) settlement period only, which is right and just. The Sátára Rája up to 1846 used to tax all improvements such as conversion to garden as soon as they were made. (Selection XXII of 1852, p. 155).

115. The inevitable consequence.

But in what direction do these injustices work? There is roughly speaking now a days only one way in which errors in the taxation of land are ever allowed to work and that is to the benefit of an individual at the expense and cost of the State. Each taxpayer is affected to the extent of one millionth of a rupee but that individual is benefitted by a whole rupee: he shouts for the concession and the taxpayer is silent. But the silent one bears in the aggregate the greater loss. It is he whom being silent the Government of the day betrays and sells. The margin of untaxed unearned income widens, the proportion of tenants grows, fragmentation advances, the political power of the landlord and big cultivating rayats, concentrating in the Towns, increases; the efficiency of the State and its ability to supply expected amenities weakens, and the end is revolution—the wheel goes back to where it was—or, in surprisingly fortunate conditions, swings round to reform. Dare we hope for this? At any rate no honest witness can say that every item in the above 'act of indictment' is not proven before his eyes.

CHAPTER V.

The Present Agitation.

116. Origin and meaning of present ferment.

After the shock of recovery from the American War, agitation against the land revenue system was practically non-existent until the matter assumed a new importance under the Montagu—Chelmsford Reforms.

In their despatch No. 14 of 30-6-1910 the Government of India wrote their views with reference to the dictum of the Royal Comm. on Decentralisation (para 252) that "(i) the proportion of the net profits of agriculture which Government shall be entitled to take and (ii) the period of the Settlements shall be embodied in Provincial Legislation." The Government of India observed that by ancient custom the State is entitled to take a certain but undefined (the language is curious: it would be more true to say "*an uncertain*") share of the gross produce. But an assessment based on the gross produce places an undue tax on energy and industry" (a reference to para 207 will show this is only a part of the truth. It also makes a great deal of energy and industry physically impossible) "and repugnant to modern ideas: therefore a rate usually not exceeding half the NET produce (or net assets) is taken. These are not fundamental principles but limitations the State has placed on its own discretion...............which must vary at different places and times and are subject to exceptions and reservations."

117. Vagueness and want of grasp in high places.

All this is vague; but so long as the State does not attempt to take more than the net assets, or rental value as we prefer to name this conception, there are as my readers will I trust admit far stronger reasons than mere custom. The practice is rooted in the laws of nature and the justification for the arbitrary half can be sought best in the view that, since it is arguable whether the State will make the best use of the whole rent, and at least a chance should be left for private 'owners' to use this

value as capital for the better development of the land, so long as we entertain that doubt (see para 60) no clear law can be formulated to justify any exact division of this value, then 'half and half' is suggested by the usual rules of compromise. But it is more defensible to say 'not less' than half than 'not more.'

118. Stereotyping not of principles but of details unsound.

Lord Kimberley, Secretary of State in 1852, had declared strongly against any declarations as to the future. (No government has the moral right to bind its successors wantonly); still it might from time to time lay down the principles which guide its action (sci: for the time, without any pledge for future more enlightened Governments). With all this Lord Morley (Despatch 91 Rev. 21-10-19) quite agreed. No sound reason has been given for a departure from these principles.

We read of appeals to the Courts by Incometax payers and rate payers in England. This makes the mouths of lawyers water. But let it never be forgotten that these appeals never can lie as to the *rate*. Fancy the Incometax payers suing Mr. Winston Churchill for a declaration that 4/- or any other rate in the £ was too heavy!! But that is what our Legislative Councils and politicians want (*until* they themselves can get control of the land revenue).

119. The Joint Parliamentary Committee puts up the old hare

The Joint Parliamentary Committee in 1919 have desired that such legislation should again be taken up and the Government of India has accepted the view and embarked on this course. But their view is based on the argument that the l. r. is a tax and should like all other taxes come under legislative control. Yes; but even in England where democratic principles are not behind India the rates and period of fixation of the taxes on land are not laid down by Parliament, even though we may admit Parliament has the power to do so: but it knows it is impossible and unwise. Some confusion arises from forgetting the real tax on rental value in England is not the Parliamentary Land tax (The Land Tax since 1798 is a fixed charge of £ 3,800,000 only; or

5.06 crores, almost exactly equal to the present day full land revenue of the much larger cultivated area of Bombay) but the Local Rates, which are almost always much higher than the Indian Land Revenue, and paid in addition to the l. r.

120. The unsoundness of appeal to the Courts.

The view that l. r. should be subject to appeal to the Court has always been rejected. The U. P. Government wrote (Sir Anthony Macdonnell's No. 4256 22-12-00). "The Government cannot allow any agency of its own creation and maintenance (i.e. a judicial officer) to sit in judgment between itself and the payer of l. r." and the Government of India were strong in repudiating 'the entirely unnecessary conflict' which would be introduced. The Government of India had no doubt of the soundness of the refusal of the Madras Government to stereotype their classifications and observed that reclassification may be as necessary in the interests of the l. r. payer as of the State. Unfortunately they had allowed Bombay to make this very error (para 114).

121. An old and correct view.

The Government of India likewise wrote :—"All the factors affecting revenue assessments must be studied on the spot by officers moving among the people and examining the crops and rural economy. But if you insert exact figures in an Act, (never done in England) the way is opened for Civil Courts to interfere. The standards in force are half the net assets, half net produce or half rental assets" (all really synonymous terms : yet we are told the use of rentals is an unwarranted innovation) "Even when we can calculate on a cash rental basis" (as usually in Bombay to-day we can) "and therefore can more definitely ascertain the pitch than otherwise, any general standard will be too high for individual cases" (see para 212 on averages.)

122. Mr. R. G. Pradhan's resolution.

In consequence of a resolution in the Council in March 1924 by Mr. R. G. Pradhan M. L. C. of Nasik a committee was appointed to tackle these matters. After very protracted disputations it did what every one knew it would do before it sat : It recommended a lowering of the general pitch of assessment, not

to exceed 25% of the full rental, and reduction of the limits of enhancement at each revision. But as to the basis of the assessment it could not get beyond the brilliant inspiration that "profits of agriculture" should be replaced by "profits of cultivation" and of course that all re-settlements should be subject to the vote of the Legislative Council which was the political aim throughout. They were fortified in their 25% recommendation by the (Todhunter) Indian Taxation Enquiry Committee which suggested 25% with the addition of 6¼ per cent more for local taxes as a reasonable future ideal to be worked *down* to. They gave no reason for this figure and so far as Bombay is concerned were evidently not aware that in many cases existing assessments are lower. It would be very wrong to fix assessment for all time at this low pitch; if any where they are below it, they ought to be worked up to the Curzon standard of 50%. The Bombay Government could not accept these recommendations and that is the real origin of the Bardoli trouble which is now sub-judice and can not be discussed.

123. The pack in full cry. Principal Gadgil.

After this egregious failure of the Committee, the lines of future legislation are still to be finally settled and I purposely refrain from discussing the draft Bill which has been propounded and withdrawn. Meanwhile an attack is being steadily maintained against the right decision of the Bombay Government to rely mainly on rental value as the basis of its settlements; an attack formidable from the number of the participants if not for their weight. They have lately brought out Principal Gadgil of the Surat College as a sort of protagonist of this attack and he has given us an excellent pamphlet in September 1928 entitled "The Bombay Land Revenue System" which evoked a commendatory article in the *"Times of India"*, 25th September 1928. It is written in an admirable temper and shows the general grasp of economics we should expect of a Cambridge graduate. He is excellently equipped for such an argument in all but the one indispensable item, a knowledge of the facts. 'Sound theory applied to mistaken facts' is a good summary of much of his pamphlet. If he had the facts he would at once be one of the best defenders of the position of Government we could want, if

also he could get rid of the dreadful fault of inconsistency for which the *Times* has already castigated him.

124. The meaning of rental value opposed to rent.

We have fully dealt with the theory of rent in Chapter I. One of the first things to be made clear is what rental value means. Principal Gadgil often speaks as though he identified it with actual rents paid; but it is not so. He is frequently found speaking of figures of rental values when he means rents. In common parlance this is an inaccuracy into which one easily slips but we must avoid it in this controversy. Rental value is a sublimation or abstraction from actual rents of all sorts. Land which is waste and not used at all can have rental value but no rent. Sometimes we find land carries an actual rent but has no rental value. Apart from Henry George one of the protagonists of this important distinction was Adoph Wagner of Berlin : see H. of C. papers 173 of 1906. The business of settlement is to find rental value from a study of actual rents. And that is not only the cash rents; it is admitted that far more land is let on crop-share rent and produce rent than for cash. How then can we get the rents from which to deduce the rental value? Plainly from the sales; as to which Prof. Gadgil is strangely silent. He attacks Report after Report on the ground that the statistics of actual *rents* are few. But he is silent as to the sales which are frequent and numerous. Nor does he attempt to show that the sales give different conclusions from the rents. A sale is of course a capitalised rent and through a sale we can exactly evaluate a crop share rent or any other rent and can also get (here is a matter badly overlooked by the Professor) a good guide to the rental value of land which has never been leased at all.

Principal Gadgil writes (p. i). "No Department can collect rental statistics for land which is not let". But I am compelled to point out that this is not correct at all. Surveyors and land-valuers habitually collect rental statistics derived from the sales of land which has never been let.

125. Sampling and sounding.

Now I will make a concession for the sake of argument : I will admit that it is possible to find some area in which the aggregate area that has been let for cash or sold for cash comes only

to one tenth of the whole area. Out of the gross figures collected by the Settlement officer we are asked to exclude any which are 'too high' or at any rate are influenced by other than market considerations. If this be done then of course it is necessary to exclude also all those which are too low. We cannot get the average weight of a 'bus load of men by first excluding all the heavy ones. After running this gauntlet there will remain few passed and accepted figures. By what test or measure have we sorted them out? Plainly only by having in our minds *all along* some preconception of what the rent ought to be. The method is therefore open to this objection that it starts by assuming as known that unknown result we are searching for. Yet even after such exclusion is a definite value, obtained over one tenth of the area, a sufficient guide to the abstract 'rental value' we are seeking? Would a mining engineer reporting on the thickness of a seam covering 1000 acres or a marine surveyor mapping the depth of a bay covering 1000 acres deem it necessary to take a bore or a sounding at more than 100 places evenly distributed? Would he not be quite certain he could not get materially different results even if he increased the bores and soundings to 500 or even 2000? So it is with rental value and all members of the Institute of Surveyors or its equivalent all over the world adopt this method as scientifically exact enough.

126. A fresh example.

Let me now give you one of the latest examples, a loaf quite fresh from the baking. In a certain taluka of Surat actual cash rents are not abundant. The Settlement officer did not make the mistake of taking soundings in every village: he concentrated on 91 out of a total of 131, a very full and complete test. Out of 124,036 occupied acres his researches covered about 90,000 say about 72 per cent. Out of roughly 90,000 acres he found only 16,378 let on cash rents. But he supplemented this find by getting cash sales on another 3,719 acres, in all 20,097 acres or say 2/9ths of the area examined, 22½%. Now I am perfectly satisfied with that as an adequate and sufficient body of tested rents to give a sure foundation for the settlement. This 22½% means the area on which the cash values were accepted as genuine market transactions not tainted by improvements or by building values, or by debtor's transactions. He found in the cash

rents an average rate of 2.4 multiples of the assessment (out of which the owner has to pay one assessment to Government.) On the sold area he found the land had sold for 31.68 multiples of the same assessment. Now that is the price of the owner's rent: not of course including the assessment which cannot be sold. We assume that for fairly safe rents, having a not unreasonable hope of improving some day, a rate of return on invested capital of 5½% per annum would be what prudent buyers would expect. Considering that Government securities yield about 4½ that is quite a fair rate. That means 18 years' purchase. Therefore to 31.68 add 18 for the one assessment included in the rent and divide 49.68 by 18: we get 2.48 as the average annual rental multiple upon which *the sales* were based. Thus you see that the index got from the sales agrees precisely with that got from the rents paid in cash. We have many similar instances and I give it to indicate our contention that sales and tenancy contracts are not made by lunatics in defiance of all laws of commonsense and business, but upon very shrewd and sound calculations.

127. The futile alternatives.

But what is the alternative? We are asked not to rely on rental value but on the estimated profits of agriculture. What does Prof. Gadgil say of these? You can find the true profit for a few selected fields "but the moment you begin to extend the application of these statistics to other lands and other years you are necessarily in the region of guess work. What is true of one plot of land of one village in one year is not necessarily true of others.

No doubt when there is a close similarity the presumption is in favour of the......assumption. But are all the villages even in the same group in a taluka similar? The different years are notoriously dissimilar". A very instructive passage: and from it we see clearly that it is just as hard to get a fair and just average level of profits of cultivation as it is to get the rental value and since I have shown clearly I trust that they are the same thing it is very natural that the difficulty of catching them

should be the same. In fact I will now confess; the above passage which when you read it you saw clearly WAS true of any detailed calculation of the profits of agriculture made by Government or private agency from field to field, that passage is written by Principal Gadgil not about profits but about rental value and he does not see that the more thoroughly you admit it to be true the more thoroughly you rule out of practical application his rival method of computing profits and the more you weaken his attack on the use of a limited number of sifted and sorted rents as a basis for deducing a sort of ideal or abstract rental value over a defined tract. Is Prof. Gadgil as a taxpayer and a friend of taxpayers ready to meet the cost of compiling a standard profit of agriculture over more than ten per cent of all the fields in the Presidency? Until he is, let him also hold his peace about the illegitimacy of using rental figures for one-tenth of the area as a foundation for an estimate of rental value.

128. Enough is better than a feast.

He also criticises us for not collecting the rents for every village; when the settlement officer frankly states that he did not examine every village but only half, he means that he has adopted a method that our critics would still more certainly have to adopt if they applied their own method and he is saving the taxpayers' money from sheer waste in putting down borings and soundings in more places than common sense requires. Yet when he has done that we are jeered at for not having presented or sought for more rent figures and are told that to get a true rental value for half the villages in a Taluka is by no means a sound foundation for inferring a rental value for the villages that lie between those actually bored and sounded.

Now take some more of his arguments :—

Out of 1000 acres of land observed for a period of 5 years, in the first year 30 acres are let for a cash rent in open market; in the second year, 60 acres; in the third, none; in the fourth, 150; and in the fifth, 40. All these leases are to and by different people and of different fields. Thus in the five years 280 acres have been let at market rents and we have data for 28% of the

total area. But what does Principal Gadgil do? He says: 280 acres is found by searching the records of 5 years: therefore the *average annual* leasing is only 56 acres: so that area for which you have data is only 5.6% of the whole 1000 acres, which is a ridiculously insufficient percentage on which to base any conclusion as to the rental value.

If the same 56 acres had been let every year, there would have been something to be said for his method. But when this is not the fact, it is pure juggling with figures; there is no justification for introducing the idea of the average area annually let. Yet the Principal has played this trick, immensely to his own satisfaction, with the reports of Javli and Karad talukas (See p. 14 of his pamphlet).

129. Gadgil's inconsistent arguments.

"But if rental value is to be used in this (strictly Ricardian) sense, automatically it follows that the land on the margin of cultivation.........must be exempt from taxation". (p. 8).

But it is exempt. Having penned these words Mr. Gadgil has no justification when he writes on the same page. "The words 'Rental Value' as defined in the Draft Bill (1928)" [now withdrawn] merely mean the income derived by the landlord by letting his land". He has himself admitted that he knows it does not.

On page 9 and 10 the Principal boldly admits that when land is actually let on rent, that rent is the *only sound basis* of taxation. Here we find no talk at all of taxable capacity, graduation of burdens, and so on; because here he sees clearly that it is all nonsense when you are talking of rent received by a landlord.

130. Is not aware of the facts.

He is nearly right in most of his theories, but he is ignorant of the facts. He does not seem aware that there are whole districts (Sind, Talukdari tracts, and the Konkan) which are almost solidly rented by landlords to tenants on perfectly ascertainable rents; and of the rest of the Presidency between 1/3rd

and 1/2 is equally so rented. He handsomely admits that (p. 10) "the only basis as precise as the Income-tax basis would be the net annual income from land. But this caanot be precisely determined."

But surely, even if it could be approximately determined, even then it will form *by far the best guide?*

131. Other factors are not shut out.

Another lengthily-developed argument of the Principal is that while no doubt rental value should be "considered", still it should not be given the sole place in the picture. But where have Government at any time given ground for such a criticism? Their position is this. There are several lines by which we can get at the true taxable rental value. One is by computing theoretical profits of cultivation for each field. Another is by relying on general impressions of prosperity and growth of agricultural capital &c. Also by study of markets and facilities for marketing and of the prices of produce. But when available the best of all is the evidence of actual rents. What are the dangers of the other factors?

132. Wild-goose chases.

We have dwelt on the computation of theoretical profits often enough. About ten years and a large number of lakhs of rupees were spent on this wild goose chase in the beginning of British rule. The author of the Ain-i-Akbari also tells us he went nearly mad in Akbar's time in calculating masses of figures about yield and prices as an employee in Todar Mal's operations. And then Prof. Gadgil taunts us with having early given up the collection of such information. If we had not, then he might equally have taunted us with having never learned how futile that attempt is.

133. Danger of the 'Impressionist School.'

Principal Gadgil advocates (p. iii) "crop experiments conducted to find out the average yield and *cost of production*, as at present done in all other Provinces".

But excuse me if I interrupt that this is not true. A crop experiment of the class referred to can and does find out the actual yield in a particular field but cannot reliably discover the average yield (which would imply that many fields of all types were measured); and can find out nothing at all as to the cost of production, except merely what the people allege, which is still more untrustworthy. An excellent illustration of the futility of trying to calculate profits by enquiry will be found in the review of the Bassein second revision settlement by Mr. A. C. Logan (Seln. 372 N. S. of 1898 p. 80—87).

Then as to the "general prosperity" impressions. In a village where tenants are overcrowded and therefore poor paying large rents to absentee landlords does the Professor wish us to be guided by their impression of wretched poverty into letting off *the landlord* from paying revenue? It is equally possible to find prosperous tenants who have got long or even perpetual leases from landlords who are sunk in poverty. Does the prosperous look of the tenants justify us in still further taxing the impoverished and helpless landlord? There cannot be devised a more dangerous or more unjust basis for land revenue than the 'appearances of prosperity'.

134. Indeterminate factors are useless.

Next take markets and communications. I would ask the theorists who rely on such indications—I would ask Prof. Gadgil —how many rupees per acre he will impose in respect of a new ten miles of road? He will not be able to give me an instant answer. He will say (rightly) that it depends on so many other things, and will admit that by itself such a guide is no guide. But let him in revenge ask me how many rupees I will impose per acre for each ten rupees of established average rental value per acre and, before the sound of his voice has died away, I shall have answered. Perhaps now it can be understood why I have said and still say that proved rental value is the more precise guide and if you reject it because there are not enough records of rent the next step is not to take up with a worse method of assessing but—as I have done—to plunge into the business of getting more and better and fuller rent facts from every source. Tell your

Settlement officer that rents should be "taken into account", and he will languidly collect a few and then in his recommendations rely rather on the other vague and fluffy guides (because it is far harder to be caught out, so long as you use only vague generalities). But tell him he is to rely mainly on rents and not fall back on general considerations except for corroboration or for guidance where the rents are faint and inconclusive and then you will get a just and sound settlement.

135. So, by themselves, are prices.

Prices are of course no guide at all. I regret to admit that many times in the past they have been almost exclusively relied upon. When you have thought the matter out to its roots, you will see that if the prices of produce have risen then also costs must have risen and wages most likely in about the same ratio. Now we want to know if they have risen a little more or a little less and what is the weight in the total composite fraction which stands for "profits of cultivation" of each element. There is one concrete answer and one only; that is, the rental value. If prices have risen but costs have fallen more, then rents must have risen. If currency has been changed without any real change in prices or costs but only a nominal change in the number of coins used, then rents will faithfully reflect this also.

136. The buyer is never in doubt.

And you, my reader, suppose you want to buy a piece of land; will the vendor accept your estimate of the profits he makes? He may not accept your estimate; in fact I am sure he will not, unless it is a wrong estimate making his profits far too high. No: you will have your own idea what profits he makes and what you are going to make but you will also find out for what price similar land round about has sold, and you will offer something about the same, starting lower of course and always bearing in your mind that general level of local prices as your Pole-star. And what are those prices? SIMPLY THE CAPITALISED RENTAL VALUE which (when it suits them to do so) our critics will readily reckon up and if you suggest any other basis they will restrain you and point out that

there is only one way in business and it is no use talking hot air about costs of production and so on, when the market price is otherwise.

137. Webb's indices.

Mr. M. Webb, I.C.S. in the Settlement of Belgaum and Khanapur in January 1918 developed an ingenious machinery for use in "standardizing" the incidence of the taxation on R.V. He observed that the multiple of assessment usually paid in a tract was the same (or at any rate would be if the classification was not widely wrong) whatever the classification of the land. If therefore the general multiple of the assessment paid as rent is, say, 3¼ then we may assume that if we can find a 16 anna—soil-value-field leased for a cash rent (which actually might not exist) then that field would let for 3¼ times its assessment per acre which is the maximum rate. Now if we multiply the maximum rate by the multiple, we get an indication of what is the full rental value of the 16-anna land. Then if we want to take 50 per cent as Land Revenue we can calculate the new maximum rate by halving that and calling it the "index" : if we want 25 per cent we take one-fourth, and so on. The "index" for a maximum rate at 50 per cent of rental value is, since that time, usually worked out in all Settlement Reports, and if the maximum rate of the new settlement does not exceed it we can be quite sure we are not exceeding the Curzonian standard of 50 per cent.

138. The test of applicability to N. A. and also.

And when you have done with agricultural land and turn to industrial land, then where are the crops? Rental and sale values are the only crops ever heard of in non-agricultural land. Then does this fact not carry the most incisive condemnation of your rejection of rental value as a fair basis for taxing agricultural land; this fact that directly you turn to the land lying next to it you *have to admit* that here of course there can be no other basis except the basis you have just rejected?

139. One star enough to set the course.

The mariner at sea does not reject the guidance of the stars because he can only see a few. Even when he can see none, he waits till some appear and meanwhile he carries on cautiously and says "I do wish I could get a sight of a star and then I should begin to *know* where we are". So too with Settlements. When there were no rents, our pioneers carried on as Goldsmid and Wingate did. To-day we steer by the stars and are not discomfited and do not listen to the ignorant who tell us it is not safe. If we could see more we should merely be confirmed that we had set our course true. But if you are nervous then help us to get more rents: do not seek to make us adopt a false method of navigation that must end in the wreck of the ship.

CHAPTER VI.

The Income Tax Illusion.

140. The false analogy of Income Tax stripped naked.

We must next deal with the most specious but false contention that the principles applied in the Income Tax Acts should be applied to l. r. also. It is a most false and dangerous heresy (in the way it is used). If the thesis were stated carefully and exactly it would be found that our l. r. system is in advance of I. T. legislation and not one whit behind it; but it is not so stated and therefore its falseness lies in the manner of its use. Let me give some good recent examples.

(a) "It is obvious that the problem of l. r. reform will still be with us. If our taxation system is to be equitable the burden must be adjusted to taxable capacity; and it is generally agreed that taxable capacity depends not on the absolute size of the income but on the income above the subsistence level, and that a person with less than this has no taxable capacity at all." (Gadgil p. iii).

(b) The trend all over the world is to bring in the profits of agriculture under the income tax administration equally with other kinds of earnings "(For one thing, I do not admit they are earnings) "and the reform of our system must be undertaken along these lines." (p. 32).

(c) Mr. P. J. Taleyarkhan (in a letter about September 2nd 1928). "If the principle that the burden should fit the back is given effect to, or in other words if l. r. is treated as a tax on income from land such (uneconomic) holdings would not be assessed." Yes; and the whole of the l. r. would vanish by the rapid and artificial division of all economic holdings into the other kind?

(d) Though the l. r. is not the only burden falling upon the peasant, and though essentially l. r. is on a par with the Income Tax paid by the town dweller, the mode of imposing them is most unjustifiably weighted against the peasant. The peasant

has no margin of exemption, be his income from land Rs. 5 or 50 or 500 per annum. The peasant is worse than rackrented; and the Government is the worst offender. If any l. r. settlement must be objected to—and every district's settlement is objectionable; whether or not there has been a revision or an offence of revenue demand not leaving any margin of (for) the maintenance of the cultivator and his family. All other objections............must of necessity be of a specifical [I wish I knew what this beautiful new word meant] nature and cannot cure (sic) the root evil of the system as a whole. (L. R. Tairsee's reprint of Artist's articles in the "Chronicle" on Bardoli). As to this, see also para, 154 below.

(e) Here is the same thing in Prof. Dwijadas Datta (Peasant Proprietorship in India Comilla 1924) another of the Professors who do not know their facts and in this case most misleadingly identifies India with Bengal only. It would be difficult to find any other work of 262 pages so full of misstatements of fact. This is what he says of Income Tax. "The assessable minimum of income in England is £160" (quite wrong) "or Rs. 2400 per annum" (should be Rs. 2133). "In India it ought not to be less than at least half that amount or Rs. 1200 per annum" (The Professor evidently wrote this before the minimum was fixed at 2000). "In other words the large majority of our rayats (I have here taken the liberty of correcting the Professor's grammar) "would have no rent, in the sense of land-tax, to pay" (He has forgotten that on p. 112 he has rather satisfactorily proved the correct theorem that land revenue is not rent).

Now from 1793 to 1924 (the date the book bears) is a longish time: yet it has not sufficed for the Professor to realise that in Bengal the rayat does not pay the l. r. or any land tax. What he pays is (rightly or wrongly) rent to a zamindar and if all land taxes were taken off the rayat would not feel the difference in any way but would go on paying the same. It is possible though hard, to twist some meaning out of the passage; it would become intelligible if we suppose him to mean:—"If the Bengal rayat were made the full proprietor of his land and were required to pay no l. r. till his unearned income from the land

exceeded Rs. 2000 p. a. most rayats would pay no taxes." I agree: nay, I go further. I say that after a few months' adoption of this new idea, no rayat would pay anything; because they would all see well to it that none had a separate income of over Rs. 2000. And when few or none pay any land tax, what becomes of the beautiful theorem worked out by the Professor on pp. 36-42 that the State earns the land revenue by services rendered? The wretched State would not feel much incentive to 'render services' if at the same time it were so arranged that the large majority of the beneficiaries did not pay their share for them (see para 34).

All this sounds very specious; so much so that it has captured the ear, not only in India but in many quarters, of thinkers who ought to have thought more deeply. For are these principles universal in dealing with all forms under which the State can demand payment from its subjects? Are they applicable to the recovery of loans from State debtors? No. Are they applicable to the recovery of stolen property from thieves? No. Now I do not class the unearned income of land with the proceeds of a burglary (see para 15); I do not say it is quite the same as the repayment of a State loan; but it lies about half way between the two. Suppose a socialist State lends ploughbullocks or tractors to its rayats; they not only earn therewith a day's wages but a good surplus for the hire of the superior machine, which leaves standing the man who digs his field by hand. When the day for paying to the State the hire of these machines arrives will these gentlemen stand before the debtors with their jargon of 'taxable capacity' and 'subsistence level' and say the poor fellows cannot, (even in face of their contract), be expected to pay the hire because they must first have their living. Will not the State say "By all means let them live: but not out of the unearned surplus due to us but out of what they can and do earn by their part of the work." That is precisely the position of the l. r. demand and all this i. t. talk arises from sheer want of power to see into the nature and 'tatwa' of rent.

141. The subtle aim.

The critics commence with insisting that l. r. is not a rent but a tax. Some may think this is purely academic so long as

the State has a right to levy it. Quite so: but that is not the ulterior aim of the argument. The next step is to deduce that if it is a tax then it must not be levied on the small holders because the Income Tax Acts exempt all incomes up to a fair level of subsistence. Then to reinforce these unsound arguments they attack the theory of State ownership of the land. This would be just as 'academic' if it were not for the fact that if we waive the State ownership they would come back to the same point and say "Ah, then, you see: l. r. cannot be a RENT" and the rest follows (Q. E. D.) and those who use these arguments for purely political objects would then have achieved their aim which it to hamstring the resources of Government and bring about its fall or intermediately make it dependent utterly on the good pleasure of the Legislative Council for ALL supplies (Q. E. F.)

142. The refutation.

My answer shortly is: That l. r. is due to the State quite independently of any theory as to who 'owns' the land: that even if it is subject to the same canons as i. t. and must allow to the taxpayer his subsistence untaxed, this *has been done* in the very manner of calculating the l. r. and therefore has not to be done again, as in the case of i. t. Those who have read and comprehend the force of what I have said in previous chapters will need no more; they can see that my position is inexpugnable.

143. Parable of the hours.

But the issue is so vital and fundamental we must at no matter what risk of repetition make it so clear that it can be seen from every point of the compass and not in the light of one exposition only.

The day contains 24 hours: a reasonable distribution of these hours allots 8 to sleep and 8 to work and leaves 8 for eating and drinking and all other recreations. Suppose we want to 'standardise' the work of any class and decree that they shall attain a minimum output of not less than ¾ the full output of 8 hours, or in other words must work a full hard 6 hours at least.

Now let us attack that and say that it is monstrous that any one should be made to work $\frac{3}{4}$ths of "every day" and that if this is done then how can a man live, having no sufficient time for sleep and food? What is the fallacy, the grave misrepresentation? It is in substituting for the 'working day' the expression 'whole day' or in representing that 6 hours' work is $\frac{3}{4}$ of the whole day. Looked at in another way we see that the methods of reckoning the standard work FIRST deducted the 8 hours for sleep and the 8 hours for other purposes, and *then* dealt only with the 8 working hours left. It is quite impossible for any one to say that no allowance for sleep or food is made in the adoption of that standard. It is made in the very formula or mode of calculation employed.

144. And of the 'half-timer.'

Now suppose I work half-time for A and half-time for B. So A requires me to work 4 hours and to give as a minimum output at least $\frac{3}{4}$ths of 4 hours' produce. But I say that a man must have 8 hours a day for sleep and 8 for food &c., so that when I have worked 4 hours for A I must stay on his premises for 16 more hours for food and sleep, in all 20 hours: then I go to B and work 4 hours and then claim another 16 hours' rest. But there are no more hours left in the day. So I start an agitation that as the cruel and oppressive State standards of work do not leave me any time for rest and sleep they must be altered so that I only work 10 minutes for A and 10 minutes for B and then have "nearly" the proper deduction of 8 hours' sleep and 8 hours' recreation for each day's work.

145. The fallacy jumps at us.

Now any child can see the fallacy as soon as it can count a little mental arithmetic on its fingers "Why, of course if you only work half a day for A, then how can you claim the *whole* day's allowance of sleep and rest at A's expense? You should get half from A and half from B." Very simple and I trust unanswerable. Yet the claim so clearly seen to be false in the instance I have invented, is ACTUALLY the claim that is being made by many

well meaning but simple-minded publicists for the Indian cultivator and taken up with avidity by others who are not quite so wellmeaning.

146. The L. R. system contains what they want.

The method of calculating l. r. commences with every separate parcel of land which exists and FIRST deducts from the gross produce all that is just and necessary to remunerate the tiller for all his work and to recoup him for all his outlay and only AFTER doing that does it apportion the residue between the State and the owner or possessor or whatever we call him. Hence the allowance for subsistence and recoupment is made in the formula, in the very manner in which the calculation is made and there does not remain a shadow of reason for claiming that allowance twice. Still less for the wicked use of this false argument for political declamations against "a system which does not leave the cultivator a living" and all that. If many holdings are small at any rate it is the cultivators who make them small; Government have never interfered in free trade in land or in inheritance. But the rayat who has a small holding (say only one acre or less) has no right on earth to claim a full living from it; any more than I have a right to claim 16 hours off work for every *half* day I work for A in the above parable.

147. But I. T. is differently calculated.

Now let us look at the income tax. This is a tax levied at so many annas in the rupee on every rupee of the income but the rate is not computed after first setting aside *the whole of the earned portion* of every income for maintenance. The rate is say one anna per rupee. I have an income of Rs. 16 and if i. t. is levied I have only 15 left but it may have been accepted as a reasonable proposition that no one can live or ought to be taxed who has less than Rs. 20 income. Therefore there is a lower limit of exemption, and that is because the subsistence provision *has not been made* in the calculation of the tax itself. This is the fundamental difference from the l. r. Land revenue from the outset is levied on the 'surplus above livelihood,' a surplus which we have seen is *totally unearned* in every sense of the

word and therefore should be taxed far more heavily than any incomes which are earned by industry and enterprise; but it never infringes not even by one anna upon the earned income, the living of the cultivator.

147a. Darbar Gopaldas.

Here is yet another superlative illustration. In a speech recently reported, the well known politician and orator Dárbár Gopâldás put the point thus :—

"The capitalist does not pay any tax on income below Rs. 2,000" (a 'capitalist' with an income below £150 a year is an idea quite new to economics). "But the agriculturist is subject to taxation even though he were to cultivate one bigha of land and were to lose Rs. 25/- over it (If he made such a mess, he ought certainly to be evicted; and would be evicted by any inamdár or landlord). A holder of 100 bighas is liable to taxation even though he may find it difficult to pay the assessment from the produce of the soil. But if he were to sell the land and were to invest the sale proceeds elsewhere, he would not be liable to any taxation on an income below Rs. 2000."

A very pretty point! Now can Mr. Anderson get out of it? Even many of my readers will at first sight think that the point is a real winner. Before coming to grips with the point itself I will first touch lightly on the gross contradiction in Darbár Gopáldás statement of the case. If the vendor in this illustration *could not get any profit* after paying the assessment on his 100 bighas then how could he expect to sell the land? Which of you will pay a good rupee for the privilege of having a lot of work but no nett gain? I, at any rate, will not. But let us amend this self-contradictory statement, and assume that the land gave a good profit of say Rs. 1,000/- a year after the land revenue had been paid. It would *not be saleable* land unless it did give some profit, above the land revenue. Now the holder sells that land for Rs. 20,000 : invests that sum and gets an income of Rs. 1,000 on his investment, and that income is not liable to income-tax. Well, then, has he gained? No. For the income he got from his land is the only thing he can sell. He cannot sell to a buyer

the Government l. r. and he *will not find a buyer to buy, a loss.* He can only sell the untaxed surplus. So what he is selling *is a tax-free income*; and if, with its proceeds, he buys another tax-free income, the profit in the transaction is exactly "nil." But if he had, as so many have, a net income from his land above Rs. 2000 a year, let us say, Rs. 5,000; Now if he sells that and buys any other security he will exchange an untaxed income for a *taxed* income. Exactly the opposite of what this rash orator would have you suppose.

If the position were as Darbár Gopáldás put it, then inevitably thousands of persons would be selling their land and escaping from taxation, purchasing securities free from taxation. Yet do we find crowds of them doing it? Is not the well-known fact *exactly the other way round?* The people are much more ready, whenever they get a chance, to sell other investments which pay income-tax and turn them into investments in land which pay no tax.

The pretty illustration put before us by Darbár Gopáldás is entirely false. It is more than false. It is the diametrical opposite of the truth. But when such perversions are used as arguments for striking at the very foundation of l. r. they recoil on the heads of those who use them.

148. The I. T. of a professional man.

Let us take concrete examples. I know a vakil moderately successful who earns Rs. 8500 a year. His parents spent a lot on his education and he has to support them in return at a cost of Rs. 600 a year. He works hards and if employed by Government or any legal firm would earn easily Rs. 450 a month : that is his market value for his actual work at the rates of the day. In his business he has to spend certain money and keep a carriage and so on and his costs are Rs. 2000 a year. Yet for none of these does he get any deduction in income tax. He pays Rs. 271 at half an anna in the rupee on Rs. 8500/- It is not, you will say, so heavy as a land revenue of 50% on a rayat's rental income? So too writes Principal Gadgil: (p. 29) "you have to compare merely the incidence of the l. r. with that of the i. t. to be convinced that our richest industrialists are let off with a considerably smaller proportion of their income than our poorest peasant

proprietors" He seeks to confuse i. t. on gross (earned plus unearned) income with l. r. on nett unearned income: yet even so the statement is of doubtful accuracy. But wait!

If he were a rayat he would first of all deduct from his total income Rs. 5,400 for his earnings at the market value of his work. Then he would deduct 2600 for the 'costs of cultivation' the actual outlay in the business; and there would remain Rs. 500 as net 'unearned income' on which the land revenue would at the very most be Rs. 250 and most likely far less. It is a very different thing that we reckon the incidence of i. t. on the gross income and that of l. r. on the nett income.

149. Many differences.

There are some more differences: in i. t. assessment there is no allowance for 'improvements' If half your income is the fruit of capital investments out of savings it is all taxed. Then an i. t. is levied on each year's income: if in one year your income falls to zero you cannot set that off against what you are to pay in other years. But in l. r. you do: for all assessment is made upon a basis of averages (see para 211).

So we see that Land Revenue differs from income tax both in its essential nature and in many of its features and it is sheer folly to concentrate attention upon one single aspect (that the man whose income is small is not required to pay) and forget that in land revenue not only is there the same concession for the subsistence of the earner but several others of importance all of which show the land revenue in a more favourable light than the i. t. If you press for the application of the supertax to large rental incomes, then I am with you. But not on any other point.

150. The leak in Bombay's revenues.

I wonder whether publicists in Bombay are conscious that since I. t. became a wholly Central subject the i. t. collectors are scouring this Presidency and levying income tax on all the rental values of houses and shops and the like which hitherto the Bombay Government has exempted from l. r. And they levy

on the full value (site plus improvements) while l. r. would be leviable on the site only. So the neglect of Bombay to tax this unearned increment is resulting in the transfer of many lakhs of what is really l. r. from the Provincial to the Imperial Government. This growth of revenue was assigned to Bombay by the Meston Settlement but if we will not take it, then of course someone else will; and it is puerile to quarrel with Lord Meston.

151. The claims of earned against unearned income.

I. T. is levied upon all sorts of income (except in India those derived from land, because the tax has been already taken) and some of the incomes are earned others unearned or earned too lightly. Most nations are now seeking ways of treating the earned and unearned incomes differently; while Indian opinion is striving to get them treated alike. But none of these things influence in India the flat rate which is levied. Therefore when the rate is fixed, we next have to draw a line below which it shall not operate so as to infringe upon the taxpayer's livelihood; thus I. T. is different from l. r. in the stage at which the deduction is made and in that it is a tax on both earned and unearned incomes. All countries have different arrangements for meeting this mixture In England and in India it is assumed that the smaller the income the more it is earned and vice versâ; and so the flat rate rises as the income rises but even at its giddiest height in India it does not approach the half net assets standard fixed for rental incomes which are wholly unearned. And he who cannot see that this is a just and right distinction has so far totally failed to understand my arguments.

152. The 'salvaged ship' might pay supertax.

It remains true that for very large holdings even if half the total rental be taken the balance is very large for a single man to enjoy unearned, and reformers and Finance Members look with hungry eyes on the balances of those gentlemen who from penury in pre-British days have by the lenient operation of our l. r. system been floated without effort into the enjoyment of incomes exceeding that of the Viceroy and devote their money

to promote agitation to destroy the l. r. system. Once I found at sea a ship derelict and sinking; with great labour after many months I towed it safely to port and its owners who had written it off as a total loss were overjoyed. They rushed to take their property and gloated over it with joy. Then I asked for a substantial commission on the salvage and they angrily said "These are our goods: why should you claim a share? take what we are pleased to donate and go". Nay, said I, but I will rather tow the ship back to where I found her and leave you to rescue your goods if you can. It was then quickly seen how far the values in the cargo were in truth and justice theirs, and how far they were mine.

153. The sheer communism of the smallholder's claim.

Often enough we have touched on the claim of the 'small holder (i.e. the holder whose land does not give him a fair year's work even by the most lenient standards) to get a year's food out of a few months' work. It is sheer communism stripped of all disguise. It is a naked demand that if I choose to take a small enough holding then I must be supported and all my taxes must be paid for me by the work of 'others'; but it contains no provision for securing that those others shall work. Let us make a law that if we hold less than 5 acres then no l. r. shall be demanded. I have 8 acres. At once I say to my wife and my son, it is time for us to separate —not of course genuinely; for we are all on the best of terms; but for legal purposes—I shall settle on my wife 4 acres and transfer to my son another 4 and then we shall be free of taxation for ever. Nay more; we can do much better than that: we can then sell these two "Inam parcels free of tax" to tenants, or to any buyer we can find, as tax free parcels and so capitalise for ever and ever the exemption we have just got and which may not last too long if our Government wakes to a knowledge of economic truths. Thus all such concessions are usually at once capitalised by the holders. And when the public finds these communist concessions cannot be tolerated and must stop, it is confronted with the difficulty of vested rights.

154. The 'root evil' which does not exist.

It is perhaps pardonable in College professors and journalists that they should not realise that the subsistence allowance has already been made in the calculation of every anna of the l. r. while Government and the Department of Settlement which is busied all its life with these very problems in practice realises it very fully. Hence the writer in the Chronicle says quite rightly. "Now we look in vain through all the steam and gas let off............in the Bardoli *affaire* for any glimpse among the powers that be of this root-evil. Government might have realised in the backwash of their individual consciousness." (How I wish I could emulate this beautiful language!) "this root mischief of the system. But they could not but realise........... that the Government listening to such considerations would involve themselves into the bog of the whole financial system of India" (Isn't that fine?) "and so they kept off the forbidden ground and..............refrained from touching the main issue" I will disclose a great State secret, the reason why Government did not move but ignored this root evil even when the 'Chronicle' flung it at them—Government have been utterly unmoved, and have taken no steps at all to deal with it, because it DOES NOT EXIST. The 'root evil' in the l. r. system cannot be remedied by any one because it simply is not there. But it is not possible to leave these heresies, however hollow a product of untutored minds unversed in the facts they handle, to have the last word in the public ear—While I entertain no hope of convincing 'politicians' there is an outside audience of sober intelligent men seeking the truth and with them rests the final verdict; securus judicat orbis terrarum. It is to that tribunal I appeal.

155. Compare the crop share system.

The crop share rent system is much rougher and readier. It makes *far less* exact provision for the livelihood of the tenant. And yet no landlord, no inamdar or Talukdar, has ever denounced this root evil as inhering in that system. Yet if it lies in the Bombay l. r. system, then *a fortiori*, much more so, it lies in the crop share system which takes its share no matter *how small* the area held by the tenant. The crop share does in most cases

leave a subsistence, a living proportional to the work done, in its very essence, in the fact that it is a share only. But the cropshare landlord does not say to the man who works 3 months "You must of course take the whole crop: it is clear you cannot live on the portion left, if I take my share." The crop share system has other defects but has it ever been attacked and has any critic exposed these "root evils"? Yet if they lie in the Bombay l. r. system, they lie exactly alike in the crop share system which India from the time of Manu has always regarded with veneration.

CHAPTER VII.

Agricultural debt and wealth.

156. Agricultural debt: its meaning.

The indebtedness of landholders is a theme upon which many critics dwell and it is worth while discussing it for a few minutes. Debt means money borrowed to meet some immediate expense which the debtor hopes, or at any rate promises, to pay out of future earnings. It is a form of anticipation of future income: eating the cake first, and then earning it. It is usually implied that the debt is incurred because the rent or the land tax is too heavy. Now we are not denying that in paying some fixed rent or l. r. through many varying seasons the occurrence of one or two very bad years might drive the cultivator to borrow; see the diagram II in para 208. But the frequency and magnitude of such borrowings is exaggerated; I believe them to be rare. Some hysterical agitators would have us believe that habitually the cultivator cannot make ends meet and so sinks deeper and deeper into debt. This theory confutes itself easily. It assumes that the untaxed surplus of rent left to the honest worker is nil or almost nil; but if that were so, then he *could not borrow.* What money lender is such a fool as to lend beyond the value of the security? You may say that he hopes to make the tenant work harder and harder and grow poorer and poorer in the effort to earn a surplus to meet the interest and to pay off the debt. But if there *is a surplus,* then your foundation is shattered. When the tenant at last gives up or dies the creditor has on his hands some land which by your own hypothesis cannot in open market earn a rent so great as the interest on the loan. No; the truth is that there must always be first a good surplus before debt can BEGIN to show itself. When we first took over Bombay Presidency it is definitely stated that the peasantry except in Gujarat had no debts; it has been said that the British ráj introduced the money-lender. These are very true facts. But the fact that there were no debts does not mean the peasantry were well off, but exactly the contrary. The fact that there were few or no money-lenders (both these facts can be proved from unimpeachable

contemporary documents) also proves the peasantry had nothing to mortgage.

157. The great alternatives: thrift or debt?

There are two radically different ways of dealing with a surplus of earnings; if I see that my earnings are 10 more than my expenses I have a free or unencumbered surplus of 10. Now I can either save it up or I can sell it. If I save, then, after a long period of steady work, I shall be able to spend a capital sum, plus all the interest it has earned. If I borrow a capital sum now, I shall be able to enjoy at once all it can buy; but this capital sum will be less than what I could have saved, by all the interest until the loan is paid off as well as all the interest that might have accumulated on the savings. There can be no comparison between the two methods; at 6 per cent interest an annual surplus of 10 for 25 years will amount to 548; while the amount to-day borrowed which can be amortised by a payment of 10 for 25 years is 128. This is the difference when the accounts are kept with that honesty and exactness which adorns the multiplication table; but if they are kept by a not-too-much-above-the-average money lender they will differ more. If the interest exceeds 6 per cent., as in India it always will, the difference is vastly greater; at 9 per cent the figures would be 98½ against 847. But, you will say, it is much nicer to have 128 now and eat it, than to wait 25 years for 548. I may die meanwhile or I may be robbed? Perhaps it is partly for this reason that India shows such a marked preference for the anticipatory method. Even in Europe large sums are annually lost by unsound investments when people are greedy to earn too much interest. But in India life has always been uncertain; investments have either not existed or have been still more uncertain; while any appearance, not to say display, of surplus income would have been more dangerous still; and would soon have led to the disappearance of the surplus itself. Therefore all over Asia, and indeed wherever conditions and traditions are similar, borrowing wins the day against saving. BUT, wherever it may be, one thing is certain that savings and debt are only two aspects of one thing—a surplus; and to pretend either can arise from a deficit is absurd. I am indebted to the late Mr. A. C. Logan I.C.S. for much of this argument.

158. Mortgaging the unborn.

Moreover when the Indian cultivator has finished mortgaging his surplus from the land for his lifetime and from all his own labour, he then has a further facility unknown over most of the world. He can proceed to mortgage the labour of his sons and grandsons, aye and daughters and to some extent brothers, even before they are born! I imagine that when sons and grandsons learn enough arithmetic they will realise how terribly disastrous this is. Just add its effect to the reflections evoked by the last paragraph and then ask yourself if it is wonderful that in spite of a sound l. r. system and a just government, the land-holding classes are as a rule sunk in debt, and that every increase in their opportunities means sinking deeper, until education in arithmetic at last teaches them its folly.

159. The great growth of land values.

When we took over Bombay the (private) value of all the land in the Presidency was competently estimated at nil. Its surplus rental did not exceed what had been collected as land revenue and showed even a tendency to fall behind. In the debate on the L. R. Act of 1865 the Hon'ble Mr. Robertson proudly asserted that the aggregate value had risen to 35 crores. Another speaker thought it could safely be put at 50 crores. To-day it may be safely estimated that the capital value is not short of 1000 crores. How do we get this? The l. r. is 5 crores and the untaxed surplus of rent is roughly 4 times that. Therefore at 5% its value is 400 crores. The Alienated revenue and rent on alienated land not included in the above calculation is at least 5 crores annual i.e. 100 crores capital. That makes 500 crores. The assessed capital value of the immovable property in the city of Bombay is 280 crores; Karachi, Ahmedabad, Poona Sholapur, Hubli and Surat would very easily make up 220 more. There is 1000 crores, without touching all the small town and village sites. Now since we first collected l. r. in Bombay up to date, about a century on the average, we have not collected in the aggregate even one-third of 1000 crores. That is the extent to which by our l. r. policy we have "bled Bombay white". And do not forget that whatever cruel profits rapacious western

firms (many of them German and Greek) have made out of trade with Bombay not a fraction of one tenth percent of this land value is possessed by any white man, and all officials are debarred from holding any at all.

160. Registration records.

A few more figures. In 1890, a little before I came to India the value of the average document (sale lease mortgage &c. of immovable property) in the Registration Dept. was Rs. 330. In 1925 it was 673 : more than double. We have no space to dwell on this, but it may be said there is probably no safer guide than this average to the general value of all land. Here are the figures in more detail:

1890-91	330
1898-99	357
1921	635
1925 (peak)	673
1927	644

161. What the system has accomplished.

What the Survey and Settlements did for Bombay shall be judged from more figures the most critical cannot impugn. If l. r. is too high it *must* drive land out of cultivation. No one has ever questioned that truth. Shortly after the joint report was finally accepted (but not before the cultivated area had expanded very largely) in 1850-51 we have full figures for the whole Presidency of the occupied area in use for agriculture. In the debate on the Bill of 1864 it was again given with some pride at the result achieved. In Satara District alone 180,000 acres were taken up out of long standing waste between 1858 and 1864. What is it to-day?

Gross area in the whole Presidency (excluding Sind) occupied for agriculture is :—

1850-51	12,691,111 acres
1860-61	17,662,757
1926-27	33,293,330

District.	Year	Total fixed L. R.	Percentage of cultivable land waste.
Ahmednagar	1838-39	10,72,225	39½
	1926-27	24,46,418	1.17
Poona	1838-39	5,67,319	19½ (1856)
	1926-27	20,35,369	.58
Sholapur	1838-39	6,98,106	23½
	1926-27	14,87,742	.57

The occupied area increased from 12½ millions acres to 33¼ million (1850-1927) an increase of 170 per cent; while revenue increased from 23¼ lakhs to 59½ lakhs in these 3 districts, an increase of 155 per cent (1838-1927). Do not moreover forget that there was in 1838 or 1850 almost no canal irrigation: now we have 2¾ lakhs of acres.

162. Currency and real values.

Currency is a most important matter (Rogers I. 148). Settlement of L. R. means expressing the share of the r. v. in money of the times. But rents are in the same denomination and therefore *no error* can arise; but in comparing the incidence of l. r. at one time with another we must be careful. In 1840 the rupee was at 2s. 3d. or 50% higher than to-day in terms of gold: and the purchasing power of gold was also higher than to-day. So that in real value our Bombay assessments to-day are *much lower* than they were when the first settlements were made!

163. Mainly the fruit of the L. R. system.

But you will say the population has of course increased and that is the sole cause. I deny it and hold that if it had not been for the reformed and enlightened l. r. system, the population COULD NOT have increased any more than it had increased during the thousand years that had preceded; i.e. hardly at all. It was peace (we are told military expr. is scandalous and wasteful), law and order and justice, but above all the Land System that has created this population. The foundations of Society are in the land. There is not so great an increase of population as of cultivated land. Therefore it is a mathematical certainty that

each person must have more produce than he could have had on an equal division 75 years ago, even neglecting the great canal produce.

164. The automatic impossibility of overtaxing. Land sales substituted for slave sales.

The Bombay land revenue system provides many remedies for the recovery of land revenue if not punctually paid. From olden days the power of seizing other property of the defaulter (if he had any) or putting him in prison was handed down; but it is now hardly ever employed. In the 17th century, defaulters were sold into slavery; for when land had no value, forfeiture or sale of land had no meaning. Though the power of arrest still exists it must be many years since a single defaulter went to civil jail. We have relied on the value of the land. If the holder does not pay we do as the U. S. A. do; we sell the land for the arrears, a 'tax-lien' expressed in other works. Now if we had assessed it above the rental value, it can have *no value*. Therefore *automatically* we are barred from collecting any l. r. which infringes even by one anna upon the means of livelihood of the cultivator. I trust all fairminded readers will work that out carefully in their minds and dwell long on it. Then they will enjoy the true savour of a complaint recently made by one of the Bardoli stalwarts—it is on the Legislative Council records —when he said that Government had brutally sold for a "mere song" land worth Rs. 15,000 to realise an arrear of l. r. of about Rs. 100. He did not add that the reason why it had sold cheaply was that he or at any rate his friends were instigating the boycott of buyers. That is not my theme; but I should like a school-boy to figure out the oppressiveness of the land revenue of about Rs. 100 upon land worth about Rs. 15,000.

CHAPTER VIII.

Tenancy Legislation.

165. Transfer defaulters' lands to Tenants.

But one most salutary measure is not sufficiently resorted to. In a report on Ahmednagar by Lt. G. S. A. Anderson (1846) he stresses the point that if any superior holder or landlord fails to pay his land revenue then the land should be transferred to his Tenant (who will gladly pay up the arrears to become owner). No holder of land of value would risk such a loss. But if he does risk it, then why not eliminate the middleman? With such a practice there would be very few arrears. A few instances of this action utterly broke the no—revenue movement in Alibag last year. When land had no value, recovery in either of these ways was impossible: and would again become impossible. Then how in the days of l. r. equal to full rental value was it ever recovered? The answer is, by violence and ill treatment; and in the last resort by selling *not the land but the owner* into slavery. Both in the Ahmedabad district and in the Deccan (Selection 532 p. 67 and Cruickshank on Daskroi) slaves figure in the first British census: and not foreign slaves captured in war, but kunbi slaves sold for arrears of land revenue! So too Moreland has shown that the Raja of a certain State kept his own fleet of ships to take these slaves annually to the Spice Islands for sale. The power survives in the provision of the Code for putting the defaulter in civil jail. But it has been used in the past hardly at all, and now is never used.

166. The grave need of a uniform standard.

A grave defect in the Bombay l. r. system is that it does not take or even prescribe or attempt to take a uniform or fixed share of the rent everywhere alike. In the same group under the same maximum rate the proportion of rent levied is uniform: the marginal land pays nothing or next to nothing and all the better qualities pay, according to the classification, the same

proportion of their rental value. But when you pass into the next group, still more into the next taluka or district you find different maximum rates; and that is quite right, for rental values of exactly similar land are no longer the same. But what is wrong is that no attempt is made to see that the percentage of rental taken in all groups and talukas and districts is the same or even similar. We have one group of villages paying half the rental but the next group pays only one quarter. In fact the full range in Bombay is from about 8 per cent to about 60.

Much the same evil exists in the English rating system which is now in the reformer's melting pot. A distinguished and well known publicist now in Bombay wrote a few days ago;—"Everyone admits that the rating system which has come down to us from the days of Queen Elizabeth stands in urgent need of reform. There should be greater equality (sic) between the various rating areas (our groups): there is no reason why rates should be 32 shillings in the pound (i.e., 61½ per cent of gross rental value) in one area and eleven shillings in another (35½ per cent)." But Bombay cannot take the smallest step toward this act of justice till the 33 per cent enhancement rule (or its twin brother, the 30 years' settlement period) is abrogated. Do not forget that this English tax on rental value is *in addition* to a l. r. nearly as heavy as all the l. r. paid in Bombay (para 61).

The reason is that there was no accepted body of rents as a guide (either for us or our predecessors). We began the structure upon an assumption (see para 97). Even then this could have been put right, if it had not been for the 33% rule. If a district was guessed wrong and much underassessed (e.g. Khandesh) we cannot bring it up to the level of say Nagar unless rents will be good enough to stand still and refuse to increase for about a century or two. But on the contrary they increase faster than the l. r. (at 33% every 30 years) can increase. (In the Meston award on provincial contributions it was assumed in complete disregard of this rule and the facts, that the Bombay land revenue would increase by 4 per cent per annum. If they had meant this to be got by non-agricultural revenue, it might have been justified but they did not make it clear: see para 282). Therefore the differences between districts *do not converge*, but must go on

widening till they become intolerable or someone has the courage to break the vicious rule. The thoughtful reader will see clearly that if the underassessed districts were assessed up to a fair standard, say even 40% of the rental, it would be possible to ease the burden upon some others. Did I say "or reduce the whole general level to say 30%"? Certainly not: whoever has grasped the principles of my essay will see that the answer would be "No: but take off every tax on industry and on trade you can spare if the gross revenue be more than the community can use and make fructify. Otherwise take the full l. r. and use it for the people's welfare."

167. Starting pitch: without rental guidance

At the beginning there is no question that the settlements aimed at taking nearly all the rental value: as 91% was fixed in the Bengal Permanent Settlement. In Bombay the Joint Report named 80% as a reasonable figure. It was not till the settlement of Sharanpur (U. P.) (1866?) that the Government of India put down 66% as a fair and just standard. Then in 1902 Lord Curzon found that in fact the incidence rarely exceeded 50% and to-day that figure is very rarely approached. But the incidence does sometimes fall as low as 8 per cent in Bombay. Do I regard that steady decline with satisfaction? No. It is not realised how serious a matter it is *to starve the State.* I know various political views are held about the Satanic character of Government: but I ask my readers if they were themselves the Government would they not view with alarm this steady transference of resources from the State to private hands? (see para 60 and 81). Would it not be legitimate to opine that perhaps if Government has failed to do all it should for education and public health and has not been able to find funds for developing agriculture and industries and a hundred more things then here is the cause: weakness and want of clear-cut principles in levying for the community the land revenue which is the property of the community. Let me add that to-day in Cape Colony the standard rate of land revenue is 58.6 per cent on the unearned income.

"The pitch of assessment has been fixed at the original settlement (at various heights) and there was no uniform practice and no suitable test by which this could be regulated."

So far so good, now in the light of better knowledge Principal Gádgil criticises them, and what touch-stone, what test, does he use as the only reliable and unassailable test? The RENTAL STATISTICS.

168. Landlords breed in the untaxed surplus.

Now if the State aims at collecting a l. r. equal to the whole rent there is no room for any landlord and no land can have a sale value. Need I turn back to elaborate this again? But as soon as some relaxation of this demand is made and the untaxed rent grows, landlords emerge. The very idea of letting land to a tenant at some profit to the owner cannot arise till the State makes this relaxation. But this landlord class is a convenience. It can be made to function as the agent of the State for collecting the l. r. and more over we saw that if a full rent was not collected by some one the cultivators were in danger of wasting the resources of the land in idleness. So forward steps the landlord and says "if you won't collect a full rent, well then I will." So far, good. But the landlord small at first soon swells, and becomes a big vested interest—he dictates the laws and he gives himself the lion's share of electoral and political power and soon the State finds that instead of a useful partner and agent it has got a rival and a parasite who gets the best of the rent before the State gets its meal.

169. Rents should have been studied at First Revisions.

What ought Bombay to have done in its first revision? We should have said: "We put on these original rates by a sort of guess work. We must see how they have worked. If we took more than the true rent then land will have been resigned: that is an infallible and unmistakable test. But if we took less (and that was our intention) then land will have been taken up, cultivation extended and here and there sales and rents will occur; the general appearance of the people (though that is deceptive see

para 133) will have improved, and there will be an atmosphere of greater content." But who would undertake to judge *by how much* he should increase a rate upon a study of appearances and of an atmosphere of prosperity? Prices and the area of cultivation and increase of population were good and true tests but even they only gave what the chemist will call qualitative indications, *not quantitative* and THAT is what we want. These can be had ONLY in rents and sales.

170. The present law: its meaning and defects.

What does the law actually say to-day as to the principles of revising settlements? It lays down no rule for original settlements because they were all finished when the Code was enacted in 1879. See sec. 107 of our L. R. Code: "In revising......regard shall be had to the value of land and, in the case of land used for purposes of agriculture, to the profits of agriculture."

Notice carefully that this covers both agricultural and non-agricultural land, as rightly it should, in a single formula. Profits of agriculture (or of cultivation) have no meaning in relation to N. A. land. Notice also that value of land must mean money value and not any sentimental interpretation of value. The money value cannot possibly mean anything different from rental value, 'Profits of agriculture' is used as a term synonymous with rental value, meaning the same thing; merely another way of putting it in a particular case. Now it is often falsely stated that the practice of Bombay in relying more and more, as evidence accumulates, on the rental value deduced from the actual rents is not supported by and is contrary to the law. The wording of the Section just quoted gives the lie to such allegations. It is true that 'regard shall be had' is not a direction to exclude all other considerations and rely wholly on rents but it does not prohibit us from doing that when rents exist in adequate mass. It *leaves open* a door to consider the other indications of rental value when actual rents are scarce. This is the whole of the law. The distortion of vision first arose in the revision settlements and grew worse in the second revisions. The Settlement Officers had before them the original settlement reports (and in the second revisions two previous reports). They found those reports filled

with wise meditations and reflections upon the indirect evidences from which rental value might be inferred, and the new men without original insight followed the old formula too blindly and did not for a long time see that as soon as direct evidence was available the indirect became not only useless but even dangerous. Our offence in the eyes of these critics is that we have done and are doing this more and more and the better the evidence grows, the harder it is to attack sound settlement proposals. If I were asked to redraft Sec. 107 to fit modern conditions and to get rid of the most unjust inequality I have dwelt on, I should word it thus :—The maxima rates shall be so fixed as to take not less than half the rental value, as ascertained from actual sales and rents. But where this evidence is too scanty, regard shall also be had to all other indirect evidences of rental value". Except for the "not less," this actually expresses the meaning of the existing law, the intentions of the founders of the system, and our existing practice.

171. The white mouse gives a quantitative answer.

Therefore the tenant performs a supremely important function, like the white mice in a submarine. It is he who provides us with the quantitative data by which we can justly tax his master the landlord and it is through him that the landlord exerts that leverage, that pressure by which the needs of the people for food are met (see para 41). This is the machinery by which alone the population is free to increase; rent is the alternative to state-compelled birth-control.

172. Duty of State to protect tenant.

Then should the State interfere in the relations between the landlord and his tenant? Not only should but must; for the L is its agent and partner and if he behaves treacherously in secret or foolishly for want of counsel it is the State that must suffer with him. (An interesting example from an Indian State has lately occurred. The quarrels between the Inamdar and Tenants in a certain village grew so acute that to *save its own revenues* from ruin the State had to undertake at its own cost a full Survey Settlement costing Rs. 1,670. Similar cases

are innumerable). When the landlord tills his own land i. e. enjoys the whole of the untaxed rent under a long term settlement there is nothing to deter him from improving his land by any expense or labour for which a return can be reasonably anticipated. He is secure in his tenure and his improvements will remain his and he has no difficulty about accounts and payments from himself as cultivator to himself as landlord. That these two capacities are present yet absolutely distinct in every cultivating holder I hope any who have read me so far will admit. But has the tenant these securities?

173. The Tenant dare not improve his land.

Suppose a tenant who has a lease for one year only and pays a share of half the crop to his L. Then let our agricultural expert tell him of a new manure by which for an expense of 10 an extra crop of at least 16 can be guaranteed. Or try to persuade him that by laying out 400 on a well he will get not only 24 a year as interest and 6 more for sinking fund but another 10 for profit from his field. He will laugh at you; I know because it has happened to me. He will say: dont you see that my landlord will take half and also turn me out of the land at the end of the year and the well will be his and I shall also be at a dead loss over the manure; only he can profit".

174. An Italian example.

The crop-share system used to flourish in Italy as the mezzadria or half-share. It led to great poverty. It was found that the system led tenants to exhaust the soil to the utmost: (exactly what the Royal Commn. on Agri. say has been done in India, Ch. IV) also that neither owner nor tenant ever thought of making improvements. And to crown all they had a sort of joint family system under which no member had any incentive to work.

175. Insistent need of fixity and protection.

It is only too true. If therefore the T has no fixity of tenure even for a few years it would be madness on his part to attempt any improvement of a fixed nature. And unless he is able to

fix his rent instead of paying a variable crop share he cannot even use good manures or buy better seed. And is not this condition terribly injurious to the whole people not only to the T. Beyond a doubt. It is even injurious to the L. Once, as Court of Wards, I found the land of a ward was being let annually to the highest bidder. The bids were not high! The Ward could not possibly cultivate the land himself so I directed the land to be offered on 10 year leases. The bids and the Ward's income increased considerably. In many parts of Germany (pre-war) tenancy at will is illegal: and in the rest of Europe it is almost unknown because Tenants would not stand it. Yet it is the most usual tenancy in Bombay.

176. 'Veth' and 'tied houses.'

Tenants can always and perhaps always will grumble at their rents. But there is another *thing* that *galls them more deeply.* In Ireland before the Act of 1881 there was discontent about rent and the "Three Fs" of course. But what made discontent dangerous were the extra cesses, the evil survivals of old Irish customs of coyne coshering and fosterage; these cesses or indefinite extra burdens were capable of great abuse and were abused. So too in the various practices of 'Veth' (obligatory service and labour for the landlord) and impositions on account of grazing and salamis or nazars on various occasions and pretexts create more ill-feeling than the rent itself. They 'rub in' the economic fact of the slavery of the tenant in a way that revolts modern notions of the freedom of man. When we hear of grievances of tenants it is usually these impositions that are meant. It is a custom, where (as among Khots and Narvadars &c) the landlords have some admitted or usurped rights over the house sites in village or hamlet, to employ the power or threat to evict from the house as a lever to enforce submission to demands a free man would reject. One of the first acts of the Bombay l. r. system was to abolish any idea that the rayat who held land was under any restraint as to his house. He could sell the land and keep the houses or vice versa. When the house is on the field (and not in the gauthan or hamlet) separation is hardly possible: but in other cases it should not be lawful to use the man's need of a

home as such a 'lever'. This can be accomplished by requiring that whenever the house and land are esteemed as tenancies from the same lord, then they shall be specified in the written lease and the same rights of renewal and fixity of tenure and right to compensation for improvement shall apply. It will not then be so easy for a hard landlord to evict a tenant from the house, especially as the tenant will be secure in making capital improvements to its value. Nor, can the tenant, even on this account, defraud his landlord by sitting tight on his tenancy and refusing a proper rent; there must be a Tribunal to decide whether the rent is just and at the same time whether it is based on the tenant's improvements. These provisions will make the tenant's home the subject of anxiety at no other time except when the whole tenancy is in question and then under the aegis of a proper tribunal. More is hardly conceivable.

177. A Ratnagiri practice.

Landlords not unnaturally often deny that they do levy such cesses or services of any appreciable value from their tenants: such as may be rendered are mere "trifling expressions of courtesy". But let me note one fact: When in Ratnagiri (and no doubt elsewhere) there are among the tenants of an estate several who eke out their living as artisans when not working on the land, potters, silversmiths, weavers or what not, then when such an estate comes to partition each of the sharers fights hard to get a share—not of the simple land—but of these artisans; and the division which on grounds of agriculture alone would be unintelligible is only explicable as a partition of slaves (or at least 'liberti') rather than of their tenanted land.

178. Our plain duty to the tenant.

Then our duty is simple and clear: we must give the T. some sufficiently secure term of tenancy to enable him to get back the profit of any better rotation system or manure or skilful treatment he may give the soil. We must secure him a rent in a form that will not cripple industry and development and as an ancillary to all this, we must see that he has clear accounts and no cheating, no running up of spurious or hidden arrears of rent to be sprung

upon him the moment he tries to assert any right against his landlord's. It is in the interest of L. to give him all this. But if he does not then we must intervene.

Practically nowhere in Europe or America can a tenant be evicted without resort to the courts. But in Bombay he has no protection. We must give him a Tribunal.

179. What he will do for us.

And what will the T do for us? He will furnish us with a constantly growing body of unimpeachable rents upon which all buyers can base sale-values and which will guide the tax-payer infallibly to his proper share of the 'unearned rent.' And also we must record improvements: we have no desire to tax them till amortised and no desire to include them in our l. r. revision calculations prematurely, nor any wish that the wrong man who did not make them shall have the benefit of any relaxation in rent or l. r. the law may grant.

180. The Three Fs; the least common factor of all Tenancy Legislation.

Nearly every provision of the tenancy legislation thus outlined has been enacted in the Bengal Tenancy Act and not one provision but occurs frequently in the laws of Europe and especially Ireland before the Separation. The Spanish law allows an 'improving' tenant to retain his holding, even against L's will, to cover his costs. Danish law provides for notice of improvement: French law provides for agreement between L and T as to the execution of improvement. Indeed the privileges proposed for Bombay Tenants are little but the irreducible minimum extract of what the tenants in most other countries already enjoy. Not every one of these Acts has proved satisfactory from the first; local conditions vary, and especially local history and sentiment. There is inevitably some re-adjustment and modification. But not in the broad features: only in the details. The Three F's as first (?) formulated in the Irish agitation before the Act of 1881 were (i) Free sale of tenancy rights (the Ulster

Right so called) (ii) Fair rent (not in the bad sense discussed in para 75 but as meaning rent not based on the tenants' own improvements of which necessarily there must be a record: (ii) fixity of tenure including indemnity against disputes of the landlords, and also against bankrupt and encumbered L. (see para 130). That is what we aim at.

181. They are good for the Landlord too.

And is there nothing for the Landlord? Certainly: there must be provided a means of enforcing covenants by a simple procedure and of protecting his land against the deterioration caused by bad improvident husbandry. This has long been a loud complaint of the landlord; but much of it was not due to the natural perversity of tenants but to the badness of the lease terms. Remove the temptation and the sin also will vanish.

182. The penalty upon the public, if neglected.

All tenants have a "tacit right to a reasonably long tenure" (Bessborough's Commission, 1881). The land cannot receive proper treatment from a tenant whose horizon is limited to the next crop. There is no doubt that land tilled by its owners is better cultivated and more extensively improved than leased land. Many times have I seen striking illustrations: indeed an observer of any judgment could almost without a mistake tell which land was leased from its appearance only. I have seen even worse. I have conversed with T not 20 miles from Poona willing and anxious to improve their land but not daring to do it because of the certainty they would be called upon to pay more rent. The L was too impecunious to do it. So the land had to remain in an abandoned condition solely for want of a civilised Tenancy Law. The meaning is that for want of just tenancy laws *passing on to the tenant* the protection Government gives to its occupants under the Code, half the land in this Presidency is neglected, exhausted to the irreducible limit, and shockingly unproductive, a major cause of poverty and apathy among masses of the people.

183. Pure theory?

How often are we told that "all that is pure theory and won't stand the test of practice: it is safer to keep to the good old rule of thumb." It is of course quite false: every rule of thumb started from a new theory. A newer theory is only a more complete grasp of the whole situation, and will become the rule of thumb of future generations. When Goldsmid and Davidson began their great task at Kedgaon (Indapur) they were fresh from England and Goldsmid at any rate full of Ricardo's teaching. They had to face a situation in which old rules of thumb had broken down, and a whole people were sunk in misery incredible and inconceivable to us to-day. That is why many even deny that it ever existed: but it did. They had to strike out on a new theory, never before tried, with a new agency in a strange country. The theory was brilliantly right. Often as unimaginative and uninstructed men have since blundered, their mistakes have always been through not following the theory, which has never been shaken in its eternal verity. I have given some of the startling figures with which time has now furnished us. But let me give another example of the application of 'pure theory' to a set of conditions where old practices and ill-conceived methods had broken down.

184. What it yielded when applied.

In Ahmedabad district vast areas over 90,000 acres (1927) have been rendered desolate by the crop-share system (see para 86). Not only could few see this relation of cause and effect; but some even could —and still can—be found to defend it as a very just and fair system. When a Talukdar had devastated his estate and so much of the land was waste that he could no longer pay his Jama. instead of punishing him Government rewarded him by reducing his Jama: then he further devastated his lands and applied for more remission. In Gogho Mahal there were in a confined tract 14,620 acres of land held by Talukdars lying waste. The popular theory was that climate and 'bad seassons' had caused the land to go out of use: or possibly the superior attractions of life in the Mills at Ahmedâbâd. It was not seen that a bad landlord who upsets the balance of nature

and causes the 'marginal' land to sink is worse than ten bad seasons. The Talukdars asked for more remission. But the Settlement Commissioner (a pure theorist who had never served in Ahmedábád district advised that the cause of the waste was not climate but landlords mismanaging their land. He was boldly supported by the Commissioner Mr. Chatfield. If the land were offered on a tenure that enabled the Tenant to be assured of the benefit of his improvements and was just to the marginal land (by taking a competitive cash rent, not a crop-share) then the land would soon be occupied. But there was no power to make the landlords do this? No; but they could be refused remission unless they did. This policy was adopted: with what results? Within 3 years (1925-1927) no less than 12,281 acres were taken up: there is not much waste left, only the worst of it. Even that will disappear into cultivation in a year or two. That means 20 sq. miles of crops where before all was bare desert. In other words at least 10000 people are now living on that land who before had no foot-hold in this world. "How splendid that will be for the Talukdar who was getting no revenue, and for poor Government who were getting no Jama," you will exclaim. But that is not the point. Never mind whether there is or is not an anna of profit to Government or Talukdar, but think of the 10000 souls and that they are producing not only their own food but a surplus which is sold and goes into the markets of the Community. That food ought to be stamped with its country of origin: it should be marked "grown on pure theory."

CHAPTER IX.

Other systems of Land Revenue.

185. Alternative methods; Dr. Sun Yat Sen.

Are there better ways of levying l. r. than the Bombay system, even if it were purged of what I have singled out as its aberrations from truth? At least let me tell you of one. It is used in New Zealand (a purely self-governing State). It was also an integral part of the constitution drafted for China by the famous Dr. Sun Yat Sen and very recently re-affirmed by President Chiang-kai-shek. This policy is also described in the great Blue Book, Cd. 4750 on the Land Taxation of all Countries. It runs thus:—

Every landholder shall declare the rental value and capital value he puts on his own land. The l. r. shall be a fixed proportion of this annual value, varying as it varies. If the State suspects that any land is undervalued they may give the holder the chance of correcting it. If he refuses they may then take over his land and pay him the value *he put* upon it; and then lease it out as State land in the open market. If the State valuers err, they will soon learn; if landholders try to evade their just tax, they too will soon learn. So long as improvements of any sort are not included in the valuation till amortised, it is not easy to conceive a simpler system with fewer economic errors. It is precisely what the Customs Dept. do when they suspect importers have declared an untrue value.

186. Harnessing rents to L. R.

Another way open to those who would like to experiment with new systems I will now sketch. Though I have never seen it before I have not taken out a patent for it. But it is worth it. It is applicable when about half the total land is let by occupants paying l. r. to tenants paying rent a condition

approximately now reached or passed by many Bombay collectorates. Make it the law that no tenant shall pay more rent than a fixed multiple of the assessment. Retain the present Bombay settlement system with the proviso that though no assessment rate can be raised at the instance of Government but must run for the guaranteed period, yet it may at any time be raised on the request of a majority of the landholders. What? Is it ever likely a landholder would ask for his l. r. to be raised? Wait and see.

187. Its political influence.

The main thing would be to be quite sure the law as to multiples shall not be evaded. Of course if L. and T. agree to understate the rent actually agreed upon—and this was the threat shaken at Government in one of the Bardoli debates by Rao Bahadur Bhimbhai Naik M.L.C. of Surat—it might for a time go on. But figure the danger: the landlord would know that his T. had the greatest temptation to let out the truth. The law should provide that any breach of the rule for concealment of true rent should lead to the forfeiture of the holding or a payment of a large fine and restitution of the overcharge to the tenant. There would thus be an accumulating and increasing certainty that sooner or later the tenant would tell. But no court would recover rent in excess of the avowed contract and in any acquisition proceedings no other value could be pleaded. Also there would be the Tenancy Act making such concealment deadly dangerous for the landlord. Very well: the landlord cannot safely or without being sooner or later found out and punished contract for or collect more than say "3 times" the asst. But rental value is rising and tenants are plainly able and willing to pay more. This is the condition over half or more than half the total land. Landlords get restless and desire to ask G. to raise the asst.—let this not be scoffed at: it is frequently done now. The files of my late office bear many requests from rent receiving landlords whose rents are limited (in Khoti villages and survey settled alienated villages) by the assessments begging G. to raise the land revenue: so that they may raise their own income. But the weaker minority of self-working holders do not desire it

They pocket all the untaxed rent even though they are their own tenants: they are not incommoded by the restriction. But they are ever more and more the weaker party. They are certain to be overborne and the larger holders will have their way and G. will be asked to raise the asst. and all revisions will thus be carried out in strict conformity to the real rental value and by mutual agreement between G. and the landlord, the natural partners in rent collection. With just provisions to meet the case of improvements this would afford an unassailably just basis and if it is reflected upon at greater length than I now have space for, it will be found to meet several of the worst difficulties of l. r. settlement.

188. Difficulties of averages.

Unless we adopt some method by which the l. r. on each single plot can be separately determined, there is no other way but to adopt an average. No average exactly fits all the units. Suppose we establish that for a group of villages double the existing asst. is the general rental value. This means that a great many parcels of land are leased for rents close to that figure. But there are a number of aberrants, both above and below, and it might be said that, if a rigid standard of half the rental value were fixed and it could be shown that in one case the asst. took $\frac{3}{4}$ of the rental value, that asst. would be illegal and there would be endless petty revisions going on. Indeed the assessment might be quite right (exactly one half) when settled but might rise above the half limit through circumstances affecting that particular plot. Care must be taken to express the intention as directed to the general average and while totally devoid of any design to overassess any plot still it is beyond human powers to avoid aberrations. The best remedy for a holder who gets a rather overassessed plot is to endeavour to combine it with some other that is if anything underassessed or to console himself by reflecting that there must in any application of a just average be as many underassessed plots as overassessed.

In calculating average rents, we must include both the high and the low. There is a general clamour of landholders against our including any which are 'too high' but if our average is to

be true we cannot do that unless we also omit all which are 'too low': in other words we are invited to fix the average in our minds '*a priori*' before we start.

189. Which are greater upon profits of agriculture.

Suppose we yielded to popular clamour and adopted the much more indefinite "profits of agriculture" as the standard, there would be far more such cases. Indeed it can be said with absolute confidence on the same plot, with all other conditions (rain, prices, wages) the same, yet A will make more profit than B: if profit be the standard then shall it be assessed on A's profit or on B's? If we take the average then B is illegally overassessed and A is illegally underassessed. New Zealand rejected profits of cultivation for this very reason that it encouraged and subsidised bad farming.

190. English rating: how we might approach.

In England a system not so very far removed from Dr. Sun Yat Sen's (para 185) is employed, except that the local authority does not buy up a property for which the owner puts in too low a valuation. But each property is valued and every peculiarity is allowed for in far more detail than could under any conceivable administration be possible in India. In New York all valuations are revised annually and no difficulty is found as the study of rents and the spread of education and knowledge of markets and business spreads, our average rents, will come closer and closer to the truth, and it may well prove necessary in the long run to re-examine our classifications (vide para 105); their fixation in perpetuity was an obvious blunder, and is as often against the interests of holders as in their favour. Principal Gadgil holds the same view (p. 33).

191. Land Revenue does not exceed taxable capacity.

Messrs Gadgil and Taleyarkhan sing the praises of a low land tax combined with a progressive I. T. I have no word against an I. T. on all incomes derived from agricultural land. We already do levy this progressive I. T. on all income from

N. A. land: it is singular how these writers always leave the more valuable N. A. land out of the picture. This I. T. should be *in addition* to the l. r. on the value of both kinds of land. But to the proposition that the l. r. on the bulk of the agricultural land, of which the holders already (see para 34) pay less then they receive, should be further lowered I could never agree. A subsidy to the small holder means a premium upon further subdivision, which at all costs ought to be stopped; a further dose of "drones' honey" for the owner cultivator who does not work as other men work; and given at the expense (see also para 25 and 37) of the industrial and wage-working population. Why at their expense? could not the State let its total revenue down, and cover the loss by 'economies'? Why must it tax other classes to make good what the favored class do not pay? Because when once a people has grown accustomed to a certain standard of public amenities—Military security, the reign of internal law and order, a thorough system of land records and titles, roads, railways and all sorts of public works and irrigation, schools and hospitals and so on, no Government dare let these collapse, at peril of its own existence. Two centuries ago any 'Swaraj' Government could have been established in India which did not care a straw for any of these things but merely courted popularity (for a season) by untaxing everything. But the masses would soon bestir themselves into 'direct action' if this policy were tried on them to-day: they would take as their slogan the recent aphorism 'Either govern or get out'; Governments which neglect the duty of taxing cannot perform any other duties: in other words they are a contradiction in terms.

192. The Todhunter Committee exculpated.

The Taxation Enquiry Committee (Todhunter) have been quoted as the fathers of this notion, but I think they can defend themselves against the affiliation. They say there should be an "element of progression" (p. 83 and 365 of their report). But they do not say that small holders should be exempt from l. r. They do suggest (p. 380) "probate duties to adjust the inequality between those who derive incomes from land and the rest of the community." The scale dips in favor of the landowner and a

probate duty is another form of a supertax on large incomes. That Committee envisaged a stiffening of the burden on the larger landholders (so do I); but not anything of the sort Messrs Gadgil and Taleyarkhan desire.

193. The taxable capacity doctrine does not apply to land.

"It is obvious however that...........the problem of l. r. reform will still be with us. If our taxation system is to be equitable the burden must be adjusted to taxable capacity: and it is generally agreed that taxable capacity depends not on the absolute size of the income but on the income above the subsistence level: and that a person with less than this has no taxable capacity at all" (Gadgil p. iii). I deny this in toto. The l. r. system never touches the subsistence of the worker; but it does prevent any 'worker' from getting away with too much of the UNEARNED income in excess of the just remuneration for his work; and to do this it must be levied on every yard of land quite irrespective of who works on it or what other work or recreations he has. It is not (as Income Tax) a tax on earned income.

194. Just and unjust sympathy.

But for all its defects and errors (and what human institution is perfect?) he who doubts whether our l. r. system was evolved in sympathy with the cultivator cannot do better than read the reports of 1840 and 1847 again. The reports of dozens of earnest officers submitted to Elphinstone and other early Governors between 1820 and 1830 show most conclusively that they were if anything overbiassed in favor of the rayat. They plead incessantly for leniency for relaxation of the demand to enable him to recover from the wretched state in which we found him. But let not sympathy overcome justice; I have every regard for the interests of agriculture and I know the prosperity of the State is deeply involved therein. Yet I do not admit that it is just that the rayat should be paid more for an hour's work than any other class of man. Or that other classes should be taxed to enable him to live on less than the standard day's work and so on. I cull this passage from the Times of India,

in reviewing the Report of the Royal Agricultural Commission:—It is obvious from this that the Commission have concentrated their attention on helping the cultivator to get the best advantage from all forms of Government assistance, and that the trend of future policy will be towards giving every facility to the cultivator, and neither his illiteracy, his conservaatism, nor his poverty should act as obstacles in the way of his getting from the land the utmost anna of ultimate profit."

195. When sympathy became claptrap.

This is sheer claptrap: why should the ignorance, conservatism and poverty of the 'cultivator' not be penalised in him as they are in all others? Why should every thing give way to the utmost anna of profit for him? Of course the writer does not mean what he says; or has not thought out how dangerous this reckless advocacy of one class against others may prove. What we want is a movement to protect the landless worker *and all other classes* against the results of unjust laws unduly encouraging the class which has been placed by the British Government in secure possession of land (to which of old it had very loose if any attachment) to become parasitic on the community, by making inadequate and wasteful use of that land. Read para 67 of the J. R. of 1847 and the very wise views of the then Court of Directors.

196. An example from 1836.

What we expect from Selfridges.

Looseness of language is a dangerous trap; it makes us say things we never intended. Take a passage from the Report of the (sole) Revenue Commissioner in 1836 printed in the proceedings of the debate on the Act (L.R.C.) of 1865. He says.

"The acknowledged principle of an equitable l. r. is that Government is entitled to a certain share of the produce the deduction of which leaves the cultivator a wide margin of profit after payment of all expenses." Many reading this will incline to assent; it has a most benevolent sound. Yet wait! Is a system of price fixation at Selfridges Stores 'which leaves a

wide margin of profit after deducting all expenses' considered by the public to be quite the right ideal? Certainly not. We rather prefer that after meeting all expenses including interest and wages for work done Messrs. Selfridge should make such moderate profit as will keep them in the business, and the rest of the advantage should go to the public in the form of improved prices. If we discover that the business is run on the principle that they shall have such a margin of profit as accrues to none of us in our businesses, then we shall rebel and transfer our custom to a more modest firm. That is not a true analogy? But I think it is. The business of growing and selling corn to the whole of India is a bigger affair than Selfridges and the public has a right to demand that the profit shall not be 'wide' or wider than in any other trade; but our landholders will side with Revenue Commissioner Townshend no doubt.

197. A batch of errors from Principal Gadgil.

While I am quite unable in the course of a paragraph or two to answer all the grave errors, mis-statements and contradictions in that pamphlet of 38 pages by Principal Gadgil (vide para 23-7.) still I will do my best with some of the most flagrant. Some others have been treated in the paragraphs of this essay to which they more appropriately belong.

(a) (p. iii). "Rental value may increase greatly without the total income increasing appreciably. In a tract where the pressure of population..............is increasing rents go up at the expense of other distributive shares". Quite so: but from that fact his inference that rental value is not the legitimate basis of taxation is entirely illegitimate.

(b) "As a first measure of reform..............the system of assessments fluctuating with estimates of total yield especially in the more precarious tracts..............is necessary". (p. iv).

He has forgotten (since he wrote p. 30) that it is already since many years in full force in the Suspension and Remission Rules and in the varying pitch of the settlements.

(L). In quoting (p. 6) the conclusions of the Burma Committee the Principal adroitly conceals that they went on to state that their net profit basis could be better expressed as "rental produce", which term they used in exactly the same sense (for agricultural land) as I use "rental value" (for all land).

"The tax (L. R.) is levied at a flat rate with the result that it is most burdensome on the poorest of revenue payers......a flagrant violation of all canons of taxation". (p. 29).

But unfortunately for the Principal it is NOT levied at a flat rate'. It is not most burdensome on the poorest revenue payers (those on the margin of cultivation); for at that point it vanishes altogether.

"It is well known that usually a much greater proportion of the land under industrial crops............is let on rent than land under food crops". (p. 15).

Then is the same crop grown on the same land every year? or do the Railway Companies run special trains to take back to their land the lawyers, bankers, merchants, clerks, and others (who live in Bombay, Ahmedabad, and other towns in those years when their lands are under cotton), when they propose to cultivate them with food crops? And if Principal Gadgil goes to a landlord to take a field on rent does the landlord say, "It is Rs. 50 for growing cotton." Then Principal Gadgil replies: "Oh. but I only want to grow Jowari." Does the landlord then say, "Oh! very well then you can have it for Rs. 10?"

This passage is interesting:—

"Extraordinarily high rents will be paid by a man who has an uneconomic holding for an adjoining piece of land which will just enable him to make his operations on the total holding economical". (p. 16).

This is very true, though I hope the Principal does not think that "economic" and "economical" are synonyms. But will he dare repeat that statement on a public platform and draw from it the honest inference when next Sir Chunilal Mehta's abandoned offspring—the Consolidation of Fragmented Holdings Bill—attempts its next rebirth?

"The large bulk of the lands is in the hands of cultivator owners" (but see para 77) : "It is absurd to talk of unearned rental in their case". (p. 20).

Well, it is fortunate that the Principal took his Degree in literature, and not in economics : for such a sentence would plough him in any school examination.

"The majority of holdings are uneconomic, and the burden of taxation that they would be able to bear is certainly much less than one-quarter of the profits of cultivation." (p. 21).

This is the old false claim : see para 24.

CHAPTER X.

Elasticity: or Remissions and suspensions.

198. Annevari.

Suspensions and remissions (upon an annual annevari) now form so important a feature of the system that something must be said of them. Anne Wari is not, as one Collector's wife thought, a lady's name.

It means the appraising in annas of the value of crops: in annas, because it is the custom in India to describe all fractions of a whole in this way (or by the legs of a cow). A rupee contains 16 annas, 8 annas is half, 4 annas is a quarter; and so on.

199. What is a 16 anna crop.

But as applied to crops, then of what whole? In other words, what would 16 annas stand for? Plainly we cannot mean the maximum possible, because no one knows what that is; and it is very unlikely that any one has ever seen it. Nor can it mean an average. It must lie somewhere between. Then again if we appraised jowari in 1928 at 7 annas, it is not likely that in the same year bajri would have the same value. Therefore there is a different anna-value for each crop. When all these are added up we get a general value of all the crops which is termed the "annewari". The exact method of doing it will be found in the notes to the Land Revenue Rules (1921). But to get the anna-value of jowari in 1928: it is obvious that the total yield on soil of the best quality will be better than on all the other qualities. Therefore it must be understood throughout that whenever we speak of a 5 anna crop of jowari we mean on *the 16 anna soil*, that is, the best soil in the tract in question. Please do not ever confuse annas of yield with annas of soil-value or with copper annas. We assume that on land of lower quality the yield in lbs. weight of jowari will be less, in proportion to

the classification (vide para 93) of the soil. It is to be feared that these soil valuations are not always scientifically exact; they are as near as one can guess. Thus a 16 anna crop on a 16 anna soil might yield 2000 lbs. of jowari but a 16 anna crop on soil of zero value will be zero lbs. of jowari: a 16 anna crop on soil of 8 anna classification would be 1,000 lbs. Confusion sometimes arises in the minds of critics between the annas which were used for valuing the soil explained in para 93 and these annas of crop valuation used for valuing the output.

200. We cannot say.

We then come back to the first difficulty. What is a 16 anna crop? My answer is "I do not know". It is very sad that a Settlement Officer of many years' experience should not know. But it is a fact. Moreover if my readers say that they know, I will contradict them and say that *they do not.* And I know also that the last three Directors of Agriculture have assured me that they did not know. At the best we can only make a guess. Obviously if the whole rupee, that is the conception of a 16 anna crop, is wrong, all valuation based on it is wrong; and that is what we usually find. A class of Assistant and Deputy Collectors called for training in anna valuation and shown the same field of corn on the same day all valued it according to their own ideas and what they had been given to understand in the districts they came from, and they all valued it differently; and the Director of Agriculture said he could not say which of them was right and which wrong, because he did not know what the value was himself.

201. The underlying concept.

If we can weigh the output of the crop and then put that weight as the numerator of a fraction of which the denominator was the highest output of jowari we had ever seen, ordinarily speaking, on the best land, then we should have a true value: at least it will be getting near it. It is probable that the highest output ordinarily seen (by that I mean seen once or twice perhaps in 20 years on the best soil) would be within 100 or 200 lbs. of a true value for the 16 anna crop, and a few lbs. more or less would not very gravely affect the smaller fractions and

would not at all affect their relative value one with another. But until we have got these '16 anna' values determined, this discussion about anna valuation is like arguing about unicorns. We do not really know what are talking about. However, nearly every kulkarni and Circle Inspector is quite convinced that he can make a perfectly accurate anna valuation of any crop at any time and if we accept their valuations we can then add up the weighted fractions, that is the anna value of each crop multiplied by the area of that crop and so arrive at the anna value of the whole village, taluka or district. But everything depends upon an unknown quantity, the yield of a 16 anna crop, and it is no use burking that fact.

202. What is the average crop?

Now what is an average crop? I think we may say that it is the maximum yield or 16 anna crop multiplied by the number of times it occurs in a period and divided by the number of years in that period. An eight anna crop would count as half-a-time: a four anna crop as a quarter-time: other values in proportion. The average crop of one district will differ very much from the average crop of another, and if anybody will compare, say, Hungund with Bhivndi he will agree that there can be a very great difference.

203. An attempt at a scale of anna values.

So far as it is possible to define the undefinable, I would draw up the following table:—

24 anna crop——A phenomenal yield seen about once in a life time:

20 " " ——A crop good beyond all expectation: such as they have in 1928 in much of Bombay Presidency.

16 " " ——A bumper or full crop, such as is got perhaps once in 8 or 10 years:

12 " " ——is what a competent cultivator has a reasonable right to expect 2 or 3 years out of 10:

10 anna crop——Average crop of the best climatic tracts where failures are very rare, such as Bhivndi, Murbad &c.

8 „ „ ——about the average of an ordinary tract, such as a Settlement Officer would take as his general standard for a district not exceptionally fickle or exceptionally steady.

6 „ „ ——A disappointing crop, near to the minimum output upon which rayats can live and pay land revenue; with a very small, if any, margin. In fickle and precarious tracts perhaps 6 annas, or even less, is the *average* crop.

4 „ „ ——Tenant can just scrape through with a living but can pay neither rent nor land revenue, and will probably have to tide over by some borrowing or migrating, to supplement his income by other work.

2 „ „ ——means famine; and aggravation of the condition of 4 annas.

Then of course the Zero crop is Zero. This is the only certain figure in the whole table.

204. The factor of good husbandry.

But there are other factors which baffle us. Place 20 fields in a row all of exactly equal soil and let them be rained upon by the same showers exactly. Yet if you let 20 *different men* cultivate these 20 fields, sowing the same crop, the results will all differ. Then are bad cultivators to be let off and is the standard for the whole taluka to be lowered till it can be cleared by the worst of them? The interest of the community forbids this. Then how can we eliminate this difference?

205. Another method.

The difference in outturn determined by the class of the soil is already allowed for. The differences due to good and bad tillage are not to be regarded. We must then work upon an assumption of "average fair cultivation". Then what is the only real variable left? The RAIN, and its attendant consequences. Then why not sit in an office, get the readings of every gauge over the area and plot results daily so that we know the amount and its distribution and taking an optimum standard of 100 points judge whether the actual distribution and quantity of rain-fall should be classed as 72 or 83 or any other number of points as compared with our ideal season. Then there remain minor factors. In addition to the measured rainfall we have to consider high winds, very cold nights, excessive cloud or fog as detracting factors. There are also insect-pests, blight, perhaps cattle sickness, if it impedes cultivation; all these tend to reduce the output. While, on the other hand, there are favourable conditions, such as cool cloudy weather mitigating a dry spell; very gentle and continuous rain whereby the agricultural value of each cent actually received is heightened, and so on. After giving some value, plus or minus, for such extra factors we can then decide that the year's seasonal condition was, let us say, 64 per cent of the optimum. Then let us also ascertain and put down that the average rental surplus upon which the settlement is based for that tract is say half an optimum crop or 8 anna crop where 16 is the optimum. But this year we have 64/100 which is 10¼ annas of the optimum crop. An office man sitting indoors and guided entirely by the rain-gauge and reports of competent people as to the weather would form a better judgment of what the crop of the year is (or perhaps rather what it ought to be if the cultivation has been decent) than can be formed by an outdoor man whose eye is constantly deceived by differences of classification of soil and by differences in the quality of cultivation which the most expert eye can with difficulty detect behind a standing crop. To take an extreme case. Suppose I hold the best field, 16 anna classification, in a village: also the other fields are cropped and bear some output. But my field I neglected, and sowed no seed at all. The result is no crop, only some weeds. The outdoor man

inspecting my field may be deceived into thinking that it bore no crop because the season has been unfavourable. But the indoor man studying the rain and the winds only would never admit that; and if shown my field with no crop on it at all he would still say that the conditions of other fields clearly show that it is not the result of seasonal factors: it is the result of the personal factor. No rain-fall will make crops grow where cultivation is bad. Chanakya says this method of annevári by raingauge (varshamán) was actually used in 320 B. C. (Kautilya Arthashástra).

206. The subsistence standard fixed by the poorest land in use.

The poorest land when cultivated by a full year's work (i.e. as large an area as Genu and his family and cattle can till in a year) and paying no rent gives on an average the standard minimum on which an agriculturist can work and live. All other land yields more (unfortunately the holders of the better land usually do not work so hard as Genu but 'eat' the superior produce of their in the form of more or less of idleness).

207. The immemorial crop share standard:

Now age-long experience in India has shown that, on good land at any rate, the cultivator can live on half the produce, recouping out of that half all outlay, in the average season. In Bijapur (to which district I shall refer later) the ordinary standard rent is half the crop and some cash in addition called 'melpatti.' It is rough and inexact no doubt but thousands of estimable and kindly Inamdars, Chiefs and other agriculturist landlords adopt that standard and over large tracts it does not work out too badly. Now the actual yield in no single year quite hits the true average; a few years fall materially short even dropping to zero and below, when the rayat loses not only his labour but his seed and more; and a few years give large excesses sufficient to cover the labour and recoupment of two years or more. No tenant is so silly as to engage to pay rent on the expectation of a 20 anna crop very year: no landlord so silly as to expect a 4 anna crop every year. Both have to frame a mental estimate of the average and work to it. The local standard fraction (half or

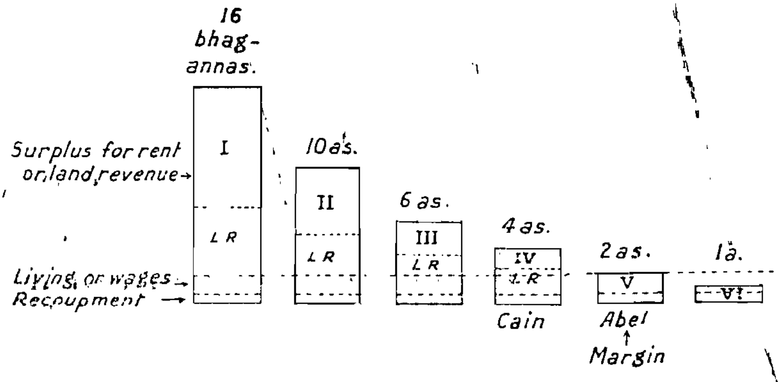
one-third or two-fifths or three-fifths gives a key to the proportion of the average crop estimated necessary for the rayat's subsistence.

The State must make similar assumptions as to averages in assessing its revenue.

208. A Set of Diagrams.

Here are some pictures which seek to explain themselves.

I.

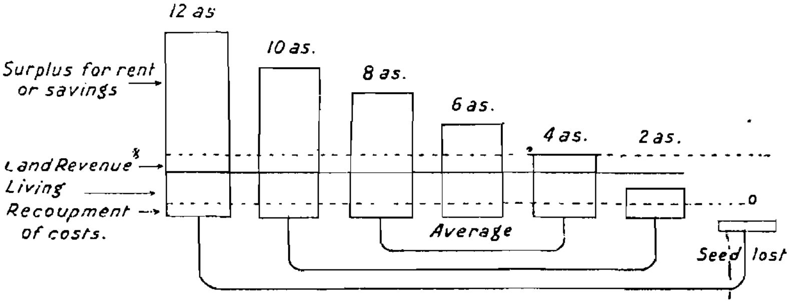


This is supposed to be the yield in various fields in the same (average) year: a 6 anna crop all through. All owner-cultivators.

It shows that on the "margin" (here put at 2 annas) the cultivator just lives; and has no surplus for rent or land revenue. It is the height of V which fixes the subsistence level for the rest.

Plainly VI, below the margin, will not be cultivated by any one.

II.



This is supposed to be the same field in different years, showing :—

(a) That at the average crop the Tenants (or owner-cultivators) get their recoupment and living out of half the crop and half is available as surplus for rent and land revenue :

(b) That good and bad crops balance one another (if 6 annas is the district average, then there are the same number of 8, 9, 10 11, 12, anna crops as of 4, 3, 2, 1, 0 anna crops :

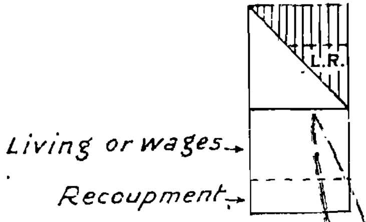
(c) That the cultivator's livelihood is not touched by land revenue unless the yield is below 4 annas.

(d) That savings in good years (*if made*) will readily cover the land revenue not reaped in seasons below 4 annas.

The cultivator's earned living (wages) and recoupment is the same quantity for equal work in all seasons and on all soils.

Now if in II a landlord intervenes he will not upset the tenant's livelihood so long as he takes, as rent, only a part of the yield above the living line (a method of renting practically unknown in India, except when the rent is negotiated in cash).

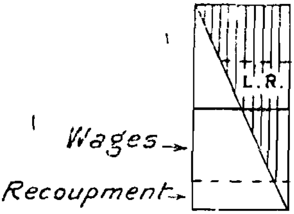
In, the following figures, the hatched portion represents the "rental produce" to be divided between landlord and State.



L. takes $\frac{1}{2}$ or even the whole above the line but does not touch the cultivator's share.

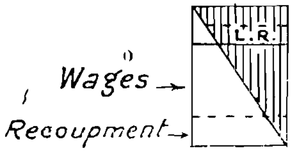
But if he takes $\frac{1}{2}$ the whole crop (the usual Indian practice).

(a) On land of 10 as. soil value, in an average season.



Here T. requires all or a great deal of the unhatched portion (his portion) from above the line to meet the slice L. has taken off his wages and recoupment.

(b) At 6 as. soil value.

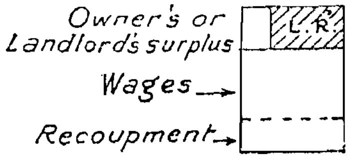


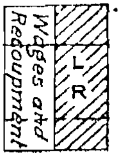
T. can *no longer* live, for the half share has taken away far too much of his wages and recoupment.

and in all the cases, T. has no concern at all with the l. r. and his living is not affected by the l. r. If Government gave up collecting any l. r. the T. would not benefit and would hardly be aware of it.

Thus this system of $\frac{1}{2}$ crop-share strictly applied raises the "margin of possible cultivation" from about 2 annas to about 6 annas, and forces out of use the fields valued between 2 annas and 6 annas soil-value Even if modified to a smaller share,

still it must have the effect of raising the margin to some extent. But when rent or land revenue is levied only above the subsistence line, suspension both of land revenue and rent (L. R. C. Sec. 84A) being given in years not fully reaching 6 annas, no such effect can be produced. This change in the revenue demand from a share of the whole crop, taken without regard to what the cultivator needs for his living and recoupment, to a share of the nett crop leaving the cultivator's living untouched was a revolutionary change.





209. The tenant in a bad year.

What can T. do in a 4 anna year under a crop-share rent? If he has not saved in past years he usually borrows from his landlord hoping to repay with interest out of the surplus of the next good year (a hope full of hazard, as one or two more poor years will soon swell his debt to hopeless figures). Or if he has the energy and ability he will promptly find some other job to make up the deficit in the most honest way, by working for it instead sitting in idleness on his dried up land. Unless a serious disaster involves landlord and tenant alike no sane landlord will let his tenant starve. But of course he will prefer that he should find other work or that he should be tided over by Governmental assistance. For this reason it has been enacted, though very late in our land revenue history (1914), that if Government remit or suspend their l. r. demand then the landlord shall pass on the same proportional relief to his tenant. But even this provision does not apply to crop-share rents: and not to Sind.

This is a very unjust exception: though how to devise a formula for crop-share rents is a puzzle. The fact that he is not legally prohibited from taking half the T's livelihood away in a bad year artificially impels bad L to insist on this injurious tenancy.

210. The cultivator is usually safe.

But whatever the season the actual cultivator is rarely affected. He gets—indeed we commenced by agreeing that he must get—his living, come what may; if not, he ceases to exist. Now though for his living he has least often to fall back on savings or anticipations yet he has a very good chance of making plenty of savings to carry him over the few very bad years. But unfortunate habits generally leave him with no savings.

211. Principal Gadgil again.

Supporting the view that rents paid differ largely from rents agreed and registered, Principal Gadgil writes (p. 27). "When the rental agreement is made, the basis usually is that of a fair year, and all years are not fair". Quite so. There are as many years better as worse. Then the *agreed rent* is far safer than the actually collected rent. Principal Gadgil does not seen to know that, when L. does not collect his full rent in a bad year, he carries it over and collects it with interest in the next good year. That is why for the coming (unknown) year he accepts a rent on the same basis on which the tenant offers rent; that is, on the basis of a fair year. This is just what the Settlement Officer also seeks.

212. The Settlement Officer's problem: what settlement means

Now how will the Settlement officer regard those figures? He will first judge whereabouts the average year falls; a true average with the number of years better and the number worse about equal. Suppose for a tract he finds 6 as. is the average. He then concludes that by ancient tradition 3 as. or half the average crop will support the rayat and the rental value in gross available for l. r. is 3 as. and of this he is content to levy 1/3rd in such poor tracts. But he does this on the assumption that in all but the very worst disasters the l. r. shall be paid in full whether out of savings or out of anticipations, he need not care—that is left to the rayat—but he could never assent to the theory that whenever the year was below average the l. r. should not be paid. **if that were the principle, then he must pitch the demand far**

higher. A resolution of Government (R 2619 of 1884) gives clear evidence of the low average standard taken from the precarious tracts. That is what *settlement* means. Strictly following the theory of rental value, the rental value varies each year with the gross yield and therefore the State share varies as it always did in the crop share time. *Settlement* means fixing an average for rigid collection each year, setting off good years to meet the shortages of bad.

"What ought to be taken into consideration in fixing the rates is the average of good and bad seasons in a group." (Principal Gadgil) p. 27).

213. The moral effects of remissions.

If after accepting a settlement the rayats want the demand varied each year, it wrecks the system. And this has to a large extent happened to Bombay. Not of course on account of suspensions: they are justifiable, though they are a concession to the moral weakness of the rayat and therefore encourage it. If we had never conceded a single suspension, the rayats would to-day be far richer; for they would have learnt the absolute need of saving in the best years. But if remissions are granted then the settlement officer's work is undone. He would say that if I had known you were going to do this, of course the pitch must have been higher. Now when you remit you give to the rayat a discount which I have *already given him once* and you aggravate his demoralisation. The only justification for a remission is a serious local disaster such as fire or flood which was not taken into consideration in fixing the average crop. Seasonal fluctuations of course were so taken. In Eastern Thana where crops almost never fail the average crop is not 6 as. but 10 as. of a 16 as. optimum yield. Here the rayat is left usually with even less than 5 as. and the true average is at least 5 as. and a settlement pitch of 2 as. might justly be taken: that is double the incidence reasonable in Bijapur.

214. Lord A Macdonnell's Commission and the present rules

In Bombay from the beginning dealing with a population which was quite a stranger to the idea of saving, we were compelled to grant suspensions in poor years; whatever the theory,

in practice the demand could not be collected. Also these often had to become remissions, because there was no large margin of rental value left untaxed to form a fund for their liquidation.

But these voluntary or involuntary concessions were not systematised till 1907 under Government of India instructions when the (Sir, afterwards Lord,) Anthony Macdonnell Commission found our system 'too inelastic'—I cannot give space to these rules in extenso: they are in the Land Revenue Rules, Orders No. XXVIII to XLIV. The substance is that a 6-anna to 8 anna crop is expected to pay the full revenue (see para 149) while crops from 6 annas down to 4 annas pay half; and below 4 nothing. Whether these suspensions become remissions depends on the following years. Any crop in the next three years (Gujarat) or four years (precarious tracts in Deccan & Karnatak) exceeding 8 annas pays either half or a whole year's extra revenue, if there is any suspended in arrears. More than two years' demand is not collected even if the crop exceeds 12 as. If the years following the original suspension are so poor that no recovery is made for 3 or 4 years (the period has been extended by one year in R4966/24—27.3.28 in certain tracts (see para 152) where the settlement is founded upon the assumption of a very low average of yield) the suspensions automatically mean remissions. Thus all depends on the annevari we have discussed in para 198. A Committee was appointed in June 1824 and upon their Report the chief change made was to establish a village committee to assist in fixing the annevari and to recommend measures for fixing a more precise standard of output of each crop in each Taluka. Now no rayat is ever called on to pay in a scarcity year; or ever to save out of a good year to meet the demands of future bad years.

In discussing the annevari and suspension system Principal Gadgil wrongly says that 4 annas is the limit at which full assessment is paid. He says that "The land revenue charge is never lessened except when the annevari is declared to be below 4 annas—an extremely rare event." (p. 30).

A man of his position really ought not to make such careless and untrue statements in print: the rules are not secret.

215. The standard varies with the climate

Then why should we think 3 annas out of the 6 anna average crop in fickle tracts a fair remuneration of the rayat but in stable tracts allow him 5? Because each rayat holds a far smaller area and puts in far more work on each acre in the tracts of assured rainfall than is usual in the fickle tracts.

Even Principal Gadgil (p. 31), advocating the 'line of reforms', says :—

"The percentage taken from a safe tract will be higher than that charged in a famine tract"; though he does not admit this on page 28!

216. The jealous landlord.

What will be the natural attitude of the landlord towards the distribution we have pictured? He will see the rayat or tenant get the first scoop out of the harvest heap; he knows that must be and the rayat will not tolerate interference unless he happens to be in debt to the landlord and dependent on him for further advances. But when the landlord next sees Government take the State share or l. r. he will (especially if the year is poor) do his best to hinder. It is he who is responsible and the l. r. comes out of the heap left *to him,* after the tenant has carried off his lot. What sport then if he could persuade Government to suspend or better still reduce their demand by representing that owing to the bad season the poor cultivator will not have enough food! The tenant may not see the humour, but he has no reason for refusing to assist in the comedy. (Under the recently added proviso, L. R. C. 84A, he may even sometimes gain; see above, para 149).

217. Practical injustices resulting from fixed classification.

The assessment on the optimum quality of soil is pitched according to certain assumptions as to the average crop and average yield of that soil in the tract under consideration. It is assumed that on all other qualities the classification bhagannas

will make it work out to the same relative incidence on the rent. But consider: a field was given a heavy reduction in rating in 1850 because it was too far from the village and had no road and the cultivator had to live 2 miles away. To-day the public has out of the public purse built a good road and a railway and a station close to the field and the tenant lives 50 yards off. Still the classification was *declared final* and the public having once granted a remission in its demand has now spent money to remove the cause of the remission, and yet can not even take off that remission, far less can the field be charged any extra for the immensely improved facility. Another field in a dry area was valued at the maximum because its soil was highly retentive of moisture. Its neighbouring field was classed very low because it dried rapidly. Now the public has built a great canal and both fields are irrigated. But the former gets waterlogged and is worthless; the latter being well-drained responds magnificently to irrigation and is the show field of the whole Taluka. Yet owing to the permanent fixation of the classification we cannot raise the assessment of the latter field and we ought not to lower that of the first; but as this is an act of clemency (to an individual, not to the public) it is allowed and the nett result of the canal construction to the Public is that the class of the best field is not raised but that of the worst (original best) is lowered. Shall we ever have the courage to enact, as the self-governing colonists of New Zealand have done, that all improvements due to public expenditure are to be included in the "unimproved" (and fully ratable) value of the land? The recent orders as to the lifting of the 33 per cent. enhancement limit on Indapur are a move in this direction.

218. The proof of moderation.

All settlement is necessarily a shot at a target. Most of the shots are round the bull. But the widest misses go over or under the target altogether. If the l. r. is far too low no one complains, only the public suffers; if the shot is far too high the landholder will be forced to resign and everyone will howl. How many holders have been forced to resign by the Bombay system in the last five years? There are about 21½ lakhs of

holders; have 1000 resigned? Except in one special area in the Kanara forests (for reasons unconnected with the revenue demand) there are not 20 resignations a year; not 1 in 100,000.

Therefore it is clear that the asst. is on the whole too low. If it had been a just average it would be certain to have gone over the target in some cases. A "popular and lenient" settlement therefore which never pinches anyone must be the product of that last infirmity of unphilosophic and pusillanimous rulers who sell the rights of the community to secure their individual popularity.

CHAPTER XI.

Urban and Industrial land.

219. Non-agricultural land.

We must now turn to that land which is not used for agriculture, but for building houses and cattle sheds and other uses connected with agriculture and also for the houses factories workshops offices shops and a thousand purposes we class as non-agricultural (N. A.). If the use is part of the operations *of agriculture, such that if rent had to be paid then that rent* would recompense an additional facility in raising the crop, then it is treated as one business with the cultivation and no separate l. r. is charged by the State.

220. Rentable improvements and tied houses.

It must be obvious that a holding with a house and cattle sheds is more 'easy to work', (i.e. offers a higher surplus for the same effort) than the same area without these conveniences. But if the owner himself has provided them for himself or for his tenant then (as improvements not made by the State) they could not be assessed to land revenue, till amortised. To many holdings houses (or house-sites: máfi kácho) are annexed, and landlords often are alleged to use this fact as a lever to exact improper profits; the tenant having built (or furnished) his house will submit to any demands through fear of eviction. This is at the present day a ground of agitation in England, against the tied cottages of the farmers.

221. The same laws still hold good.

Do the same laws as to rent and land revenue hold good for N. A. land as for the rest? Of course: but we must alter some of the terms. N. A. land is not "cultivated" but it is used and developed and improved by being made fit for the desired uses. It bears no crop, but only rent. Why does it also acquire a rental value?

222. Rental value of shops.

Consider the case of a sweet-stuff shop. The vendor spends money on making sweets and on each packet he sells there is a price or revenue which can be split into recoupment of cost, wages of labour, and "surplus" available for rent and "profit." Out of the aggregate wages he is to procure food, clothes, house &c. Now if he has a shop so placed that only five people pass it in a day, and, of these, four do not want and cannot afford sweets, he will not be able to live at all. He will move to some position where 100 people of a sweet buying class go past every day. His living depends both on the number and the size of the sales; if every one buys only one pice worth, even 50 customers will not yield much living. Soon we shall find that there is one sort of position which just yields a living and no more; and that no vendor will occupy any position *worse* than that. We must as before call that the 'marginal' shop. Suppose I get that shop and then you find a better place where some 10 more customers a day can be got. You will for the same labor and all that, earn 10 more 'units of wage' than I can. Is that fair? It is not due to your greater skill or harder work; it is the luck or the wiser choice of the site. I shall ask for a turn of that site, but if you are stronger you will hit me on the head and if I am stronger you will run to Court and say 'this is MY shop.' As soon as the law and custom recognise the right of private property, or at any rate possession, in shops I cannot turn you out. Then I shall say 'This excess profit is not FAIR." Why not? Because of Abel's theorem (para 8). Then what is to be done? The State must tax your surplus profit as it taxed Cain's. If it does not, there will ensue murder and hatred. If the State does not tax the shops according to their rental value, then private landlords will grow up and as before will take all the State does not. You see the same position is recreated, only more so: because the profits of agriculture cannot exceed the limit of the gross yield of a field, but there is no limit to the gross profits of a shop.

223. Equalises earned wages.

Does this mean that the tenant of a big shop if he pays a full rent really earns no more profit than the marginal shop so

small that the shopkeeper cannot pay any rent but can only just live. Yes: and if you ask the big shopkeepers you will find that except for profits on their *own improvements,* and returns on special skill and aptitude they do earn no more than the small shops. The landlord and the rates (the State) take all the surplus except just the living and the return on improvements and accumulated industry known as 'good will'.

224. Good-will and the new English law.

If a tenant by honest dealing and hard work builds up a reputation for his shop that reputation may attach to the *place* (in the mind of the ignorant) rather than to the person, and seeing what a good trade he has done a new tenant will offer more rent. Now what a howl there would be in India if it were enacted that when this happened the outgoing tenant could make the landlord pay him this Goodwill value for which the new tenant is willing to pay extra rent, on the ground that it is an 'improvement effected by the outgoing tenant at his cost.' Yet this is the latest law carried this year by the Conservative party in England (Landlord & Tenants Act 1927); not of course because they like it, but because there are limits to which the exploitation of good tenants can be carried, but no further; and public opinion has learnt the Ricardian theory of rent to too much purpose for this particular injustice to continue.

225. All surplus profits gravitate to ground rent.

We then see the law holds good for shops. But what about house sites and factories? We have no time to work out all these in detail; but think of a boot factory. Or rather you must always think of *two.* One has easy carriage to the sea-port and Railway and cheap water; the other has not; and though all things else are the same one can (with the same capital and work) produce boots more profitably than the other. Will this extra profit go to the maker? Of course not: you could not ask such a silly question unless you had failed to grasp the law of rent, which says that all reward, all profits above the standard remuneration of the worker, shall be forced (by competition) into the hands of the Landlord. What? shall he get the profit

and not the boot factory-owner? Yes, he shall; unless the boot factory buys its site first and even then it will have paid the landlord the capital value of all the extra profits in perpetuity the landlord could then foresee. Just as gold dropped into the water sinks through the weeds and mud to the bottom rock, so to the landlord ultimately sinks all the surplus profits of industry, trade, effort, discovery, and ability; leaving only a living to the man who first produces. And to the producer nothing can ever return unless the State steps in and demands a fine big slice of all N. A. rent or rental value for public purposes.

226. Site-value and improvement value.

N. A. land usually connotes not only a bare site but also building or other 'improvements' upon it. In Europe and in most of the rest of the world (except New Zealand, and parts of South Africa and Australia, and in Denmark) the rating is upon the site and the improvements collectively; in Bombay Presidency the *site value alone* is taxed, thus following strictly the doctrines of Henry George. This is a curious result of the administration of a Service recruited from a country (Great Britain) where the doctrines are anathema to land owners and the political majority; but perfectly explicable in the light of para. 72 .

To assess sites we prepare land value maps though we have not got so far as Denmark and the U.S.A. where such maps are published, and exhibit for all sites (frontages, backs and so on) the rates per yard or acre estimated by the official valuers (of course upon the basis of actual rents and sales) for the 'unimproved site value': and invite public criticism. Our L. R. Rule 89 does require the assessment rates in each zone or group to be exhibited in a map and as the assessment is definitely related to the capital site value (2½% thereon: see R. 144/24 6-7-28) our practice differs very slightly from that of the most advanced Georgian doctrine.

227. The real 'Root Evil' of the Bombay system.

The enormous evil of the Bombay system is the exemption of a great part, so large as to be practically the whole, of the N. A. land from any taxation at all. All house sites in villages and towns and in fact all plots for whatever N. A. purpose they

are used which, at the time of the original survey, fell within the area allotted as village or town site and were excluded from the agricultural survey have been exempted: and not exempted by law, which expressly declares them to be taxable, but exempted by executive order and practice alone. On the other hand any site converted from agricultural use to any N. A. use since that survey is fully taxed! It is incredibly unjust, and helps largely to create the belief in the minds of the unthinking public that the taxes on land are levied by the Government arbitrarily and capriciously on no intelligible principle but that of 'loot,': there is no other reason why one man should be taxed and the next man not taxed for the same thing. It is very high time to remove this grave reproach from our system. The holders of this land enjoy all the amenities for which the rayat holding agricultural land and the neighbour holding land converted from agriculture in recent times has to pay. Add to this the fact that agricultural land when near to towns is taxed on its agricultural value only, while being held up by town landlords for high N. A. prices, creating round every town a belt by which development—that is decent housing for all classes and reasonable openings for industry of all types—is strangled and held to ransom and a vast fund of utterly unearned value is let off untaxed while the growing amenities of the town which have created this value are paid for by other people, and the two errors constitute an injustice which vastly overshadows and surpasses any other defect, injustice or error of principle you can find in the Bombay system. It is not based upon law: it is mere custom and Government have often said that when they thought fit they were at liberty to tax this land. But that freedom is rapidly slipping away into the hands of the politicians. But why should not they too, when they find the State in need of funds, press for such taxation? The fact is that though the evil and the injustice is known to many there has never—so far as I know—been uttered or heard in Press or Legislative Council or on any platform a single word on the subject. The only protests have come from officials; and so far without avail. Such things as the basis of agricultural assessments, limits of enhancement and periods of settlement, suspensions and 'annevari', all these are microscopic; of a different and lower order of magnitude to this gigantic evil. Can

any one tell me a good and sound reason why the rayat far out in the country who has a very meagre allowance of roads and Police and education and all that should PAY FOR THE TOWNS which comparatively abound in all these things?

How often do we hear the rayat complain that he gets so little for his taxes? HE IS RIGHT; it is he who pays for the towns and the High Schools and hospitals and roads and Police they enjoy; while the town landholder pays nothing, and so long as he has the preponderant vote will continue to pay nothing. The most comic aspect is that the town voter votes on the basis of the *value* of his site and house, but he pays no tax on the said value. Representation without taxation could go no further. Some Municipal bodies have levied a small and as much as possible disguised house tax or rate on the aggregate (site plus improvements) value so as to press in most cases most heavily in proportion on the poorest holders and to tax enterprise and industry and exempt misuse and neglect. But where is the politician who will dare to take up this evil and drag it into the light with figures facts and white-hot denunciation? Only when the rural constituencies insist on being represented by men who *own no town property*, pledged to the slogan 'No tax on the rayat that is not also levied on the Townsman.' Then there will be no lack of funds for nation-building. Let the town pay for roads and Police and hospitals and Schools and not draw an anna out of the rural land revenue till it has paid its share of its own rental. For this reason I was hardly able in para 34a to say that the large rural land owner got the full value of his taxes; he does not; the towns get too much.

To remedy all this requires only the change of the word 'use' and 'used' in Sec. 48 of our L. R. C. into 'value' and 'valued.'

228. The State still has the best title.

But suppose the State takes a share of this rent; is it so entitled as in the case of agriculture? Plainly even more so. For the origin of the rent of N. A. land is the fact that one plot of land has greater earning power than another; and the excess must go somewhere: and it cannot honestly be retained

by the worker even when he is also made owner of the land, and maintained in possession by the law, and holds it from no-landlord. Also it is clear that there is nothing that the shopkeeper or other worker does that makes the one site better. It is usually the concentration of population and a thousand public amenities which are the 'manure' from which springs big N. A. rent. If any body then can put in an honest claim to it, it is the public through its agent the State.

229. The true basis is site-value excluding improvements.

If the State took all N. A. rent there would be no ground landlord: the tenant or actual user (builder) alone would have an interest *in the site and that interest would be legitimate only* in so far as he had improved the site or had established a goodwill by which his living could be assured. But what shall we say of the shopkeeper who by virtue of getting hold of a good site and finding that the State levied no l. r. and there was no over-landlord to claim rent, found he had such large profits that he could live comfortably by keeping his shop open one hour a day and could spend the rest in idle recreations? The public ought to say that they could not tolerate such waste of good sites and that it was against public policy and interest that any man, whoever he be, should get so easy a living; and would set it right by imposing a just l. r. calculated with reference to what a shrewd and active man could make out of the site. In other words they would use the competitive rent basis. There is no rent so easy to determine as that of town and suburban sites and even the most hare-brained fanatic does not suggest that we should consider the owner's cost of living (however high he may pitch it) and base our l. r. demand on such estimates, when we have the salient fact of rental value for a much more infallible guide.

230. Pre-British N. A. Revenue.

Now for a glance at the history of the treatment of N. A. l. r. in Bombay. A century ago there was none. The great trouble was to get agriculturists to live in the country. When Shiváji was granted the 'swaráj' of the Mával valleys of Junner

Khed Mával and Mulshi by the Moghal they were inhabited chiefly by wolves! Dádaji Khondadev was entrusted with the task of getting some rayats: he offered free land and free house sites to all who would come. This condition of free sites was almost invariable when founding villages. But, in such towns as there were, shops and houses were taxed; and those favored persons who wanted exemption had to get written orders (sanads).

231. The yield was almost nil.

When British rule began the increase of population and the restoration of agriculture was the main preoccupation. It is not of course known or believed to day by many that not much over a century ago several whole districts of this Presidency such as Ahmedábad Ahmednagar, and Bijápur were so nearly uninhabited that they were buried in jungle and even invading armies could find nothing to kill or to loot. There was only one inhabited village on the road between Ahmednagar and Paithan in the Nizam's Territory. Free sites and free land were the order of the day and thus there grew up a habit of disregarding the l. r. of N. A. land and in an access of indignation at the innumerable cesses and charges with which the Marátha publicans had sucked their tracts dry (Táluka is derived from 'alak, a leech; thus the "leeching" of a revenue farmer) that we abolished all the house rates and other N. A. imposts as not worth collecting at least until times improved. There was also the fact that many villages had been at one time or other promised 'free house sites'.

232. Urban growth.

When however towns and factories began to grow up on land that could not be confused with such original gaothans the first sentiment was that they were 'spoiling' land which ought to be cultivated (even though the best building land is the worst for cultivation) and the early efforts of the law were towards fining the improver for spoiling the land and the N. A. rates were based on what the land would have yielded if cultivated. But truth will come to its own, sometimes by devious ways

and sometimes far too late. It is weary history and I will not recount it; but step by step, fight by fight, we have got rid of the false notions and now see that N. A. land should be taxed so that half at least of the (unimproved) rent shall be paid in l. r.

233. Tenure-period and rate-revision period not the same thing.

The false theory that died hardest, and perhaps is hardly dead yet, was this :—If a man wants to build he wants to be sure that he will not be evicted before his building has seen its life. A good building will last at least 100 years. Therefore the builder must be assured of 100 year's tenure. But the *tenure* by which the State grants all land in Bombay is perpetual. What varies is the l. r. at each resettlement; and if care be taken that no increase of l. r. be imposed that is not previously justified by increased rental value, the revisions of settlement rates do not affect the builder or his calculations. But it took a very long struggle to get this truth recognised. Even after the Government of India and a Royal Commission had pronounced that no N. A. rate should be fixed for MORE than 30 years, Bombay stuck to 99 and then climbed down to 50 years. The disputants could not see the difference between fixity of tenure and fixity of rates: though in the case of agricultural land they were asserting their distinctness and *acting on the theory of their distinctness every day.*

234. Sound views at last in part victorious.

At last (R. 144/24-28) it has been laid down that rates shall not be fixed for more than 30 years. But vast mischief has already been done. The new conversions will be paying their second or third revised rate before the sites 'settled' for 99 years can be touched!

235. Local authorities should have the rates.

Who should have the l. r. on N. A. sites? It seems plain that while general rental values especially depend on the action and outlay of Imperial and Provincial Governments, the rentals

in towns and large villages also depend greatly on local and Municipal outlay. If these revenues are not granted to the local bodies then very large grants from general revenues must be made to them, which comes to the same thing. If they get the benefit in growing revenues of all they do to improve and maintain the amenities of their towns (I fear they do not yet do half what they should, and hereafter will?) the incentive to take a broad and just and progressive view of their duty is enhanced. Therefore a sound policy is to tax all N. A. sites fully, cancelling the exemptions of past ages as against public policy and needs, and *assign all such revenues to the local authorities*, as the New Zealand law does, till they have courage to collect them themselves.

236. Quinquennial revisions.

We have at least made so much clear that N. A. ground rents are far less earned and therefore far more justly taxed even than the agricultural rents; also that they rise much higher and fluctuate within shorter periods of time. While leaving the tenure as perpetual as ever—the holder can lose his land only by failing to pay the state share of the rent— the full half *at least* of the rent must be levied and used to pay for local developments; and to secure this share the valuation should be revised (as it is in London under far more difficult conditions) every five years. New York revises every year; and long ago reported no difficulty was found.

237. Site value taxation cannot be passed on.

We often hear in some form or other the hoary blunder that if l. r. is increased then the landlord will raise his rents and pass on the increase to the tenants. More especially is this believed in the case of house sites and N. A. land. Many a time Government have been led down false paths of error by the specious representation that, if rates of N. A. l. r. were made easier, then N. A. development would be promoted and assisted. It is so plausible that I feel sure some of my readers still believe it. But are they quite so sure of the implication that if Government relax the l. r. then landlords will pass on the relief to the

tenant by reducing the agreed rent? Well, I think they know enough of human nature to be sceptical about that. But let us think. Do landlords fix rent? What a very happy world it would be (for them) if they could. But alas! it is the tenant who fixes the rent by his calculations and not the tenant of the best sites but the tenant of the 'poorest sites in use'—and those calculations do not take any l. r. into account as the tenant does not pay it. He agrees to pay 100 as rent because site A is worth to him in extra trade profits (or extra profits of that other trade of agriculture) as compared with whatever plot he can have for no rent (see Henry George in para 2). Where does Government or L. come in this calculation? Nowhere. The truth is that the full true rent is shared between the State and L. and whichever gets more, the other gets less: but nothing they do *in sharing it* has the least influence on the tenant who will have to pay the full rent whatever happens to it afterwards. Of course we are not so blind as to ignore that often rents are fixed for a long term [Sometimes to their sorrow Landlords have fixed them far too long. Believing in the old system that the State would take all rental values, many thousands of owners in Kanara installed tenants who were to pay the l. r. but no more in perpetuity, even if the use changed to industrial or residential land. They are sad men to-day]. But while a T holds under an overmature lease and pays less than to-day's market rent, to that extent he is a sub-landlord and can realise his share of the rent promptly by further subletting. Let us therefore strip our minds of the illusion that landlords fix rents or that the true rent is affected by the l. r.; so long as we have those illusions we are unfit to discuss l. r. problems. The tax on rent is the one tax in all the world that it is impossible to pass on to the inferior holder. So lighter l. r. does not encourage building, making kind landlords offer to take less rent than poor tenants offer; nor does heavier l. r. make cruel landlords turn round and extort the extra rent from over rich tenants. The very idea presupposes that the cruel landlord is now taking less than T wants to pay and can pay; and that the kind landlord is taking more and will not wake to a realisation of the fact till after Government has come down on him for more or less L. R. If this were not an illusion then of course all L. would pass on

the l. r. to their tenants and the only people who paid no l. r. but were mere agents for collecting it would be the landlords. But they will (like the sepia with its inky smoke-cloud) throw out this plea that they do not want to have to exact any more from tenants already rackrenting themselves through foolish competition, whenever they see the revenue collector looking their way. Here again sound theory has again triumphed and the 'Salsette concessions' have been at last abolished.

238. Paradox of the Bombay development.

An important difference lies between ratable rent and ratable rental value (see para 124). An unused site may yield no rent and be exempt on the former basis; but if rated on its value (the rent it would yield if used) an important stimulus is applied to owners to compel them to use their land. Before the revised City Survey completed in 1918 the Bombay Corporation had great difficulty in ascertaining who were the real owners of large numbers of vacant unused sites and underdeveloped sites bearing only huts and rubbish. Their law and rules enable them to tax on the ratable value not the actual rent and if they had been able to apply the principle in good time—we know by what interests the City Survey was long and bitterly opposed—there would never have been any need for the Improvement Trust which has done good work or for its disastrous progeny. There is no surer cure for withholding (or for neglect and misuse which is equally bad) than a tax on values. Many believe and I with them that slums and congestion cannot arise where adequate taxes on site values are levied.

239. Light taxation encourages evil monopoly.

One of the most acute evils of the modern world is the withholding of land by the monopolist landlords to force up its ultimate price. If an acre has a gross rent of 20 and a l. r. of 16, I cannot afford to keep it out of use. But let its r. v. reach 40 and its l. r. still be 16. Now I can pay the l. r. of 2 acres easily out of the rent received for one. I can then shut up the second acre to force tenants to raise their offers particularly if it is coming into demand for the more valuable N. A. uses.

This artificial withholding of useful land from use is the eatest disservice the private landowner can inflict on the com-unity. We have dwelt already on certain services he can and iten does render. But all such are more than outweighed when e is enabled to adopt the role of a withholder. Therefore the rst duty of all governments, if they allow any private owner-hip, is to insist that in return this wrong shall not be perpetrated. And it cannot, if the l. r. levied by the state does not leave a too great margin of the rental value untaxed.

240. Withholding is rampant in Bombay.

It will then be asked have we any instances of this in Bombay? Certainly. In the case of N. A. land no l. r. is levied till an N. A. USE begins. During all the time that N. A. demand is growing landowners not only can but do withhold their land for higher and higher prices. It is the commonest phenomenon of the outskirts of every town and large village. Thus in actual fact it is the omission to levy l. r. on the *value*, waiting till the value has grown to what the withholding owner thinks is either the maximum it is likely to reach or at any rate high enough to satisfy him, that strangles the growth of towns and causes the congestion of our cities and villages ringing them round with a belt of "withheld" land. The moment the owner sells, the buyer who has paid a high price cannot delay his development he builds at once because he has (para 57) to earn all the return o untaxed rental he has bought for cash. This is the clearest proo that it was the previous withholding that caused the land famin If the owner had had to pay on the VALUE, he would eith have built or sold to a builder long ago; and moreover he wou have sold cheaper because the buyer knows as well as the sell that a rate on value is being levied and has got to be met. T public gets the land for N. A. use much earlier and befo extravagant rates of sale and rental have mounted up. Th building activity spreads over a larger area with all its attend advantages and the State gets a rate of lower intensity greater extension.

Thus the levy of a full l. r. on N. A. land is the true way to encourage development; not, as has been fondly supposed, leniency and exemption. If the land happens to be classed as gaothan and exempt, then withholding is still easier and more deadly, since such land must closely adjoin existing developed land.

However, I am not now concentrating on N. A. taxation I have merely paused to point out this error of waiting for the actual use.

241. A recent agricultural example.

Do we find the same thing in agricultural land? Of course wherever the same conditions (I.e. an inadequate taxation on the true rental) prevail. I will be content with quoting from almost the latest Settlement Report yet written.

"The landlords' only complaint is that they cannot find tenants enough for all their lands, some of which have thus to remain fallow. When I asked some landlords to resign the excess land for which they could not find tenants they refused; and said they would not mind paying the assessment for the (unlet) lands out of the rental of their other lands. A few of those landlords regretted the granting of woodland plots by Government, as such grants in their opinion kept down their rents, which would otherwise have soared much higher. The fallow lands which a landlord refuses to lease for fear of a reduction of his high level of rent ought to be assessed in my opinion much higher; so that they could lapse more quickly to Government and pass into the market. *The loss,* to the public at large of the crops in the untenanted land ought at any rate to be prevented."

242. Epilogue.

But I am writing not for the past but for the future; for the living not for the dead. What is to be the course of history in Bombay? I greatly fear unless a greater number of those from whom the administration of the future is likely to be drawn

learn the economics of land in a more enlightened less parochial school that Indian administrators will sacrifice all principles to the superior voting power of the landed classes. They will certainly be so timid in raising any rate that a quasi-permanent settlement will be indirectly achieved. As a result Provincial revenue will stand still and expenditure increase; the inevitable new taxation will be imposed on industry and trade in indirect forms wherever the danger of outcry is least. The produce of the land will decrease through subsidised idleness and finally the truths of economics will come home in a severer school. *The foundations of society are in the land,* and unsound treatment of the land will produce profound reactions. It will be interesting, though sad, to watch each error come home to its inevitable roost.

"Get the truth
"*Once uttered and 'tis like a star new-born*
"Not all the tumult of the world can shake".

What I have written herein will remain true and perhaps after distressing experiences will be recognised and applied by those who will in time succeed to power and overthrow if it ever materialises that form of class government with which India is now threatened. It is always harder to climb back up a cliff than to slip down and I fear it will then only be possible after a bloody and revolutionary change and a reversion to some form of non-indigenous rule. Hardly can I hope that anything I may say will put any brake on the 'facilis descensus'.

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